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ABSTRACT

This guide is designed for the second part of a two-part bookkeeping course for adults who are either keeping a set of records for a small business, or who wish to prepare to do so. The following seven lessons are included and are based on a business making retail sales of goods: (1) Introduction; (2) Data Sources and Recording for a Trading Business; (3) Journalizing, Posting, and Trial Balance; (4) Journalizing, Posting, and Trial Balance (continued); (5) Eight-Column Worksheet, and Preparing Financial Statements; (6) Adjusting and Closing the General Ledger, and Preparing the Post-Closing Trial Balance; and (7) Practical Problems. (Lessons 1 through 6 cover about three hours of class time each. Lesson 7 is a practice problem requiring about four class sessions of three hours each.) The appendixes contain illustrations, forms, and solutions to problems; a practical application problem; and tips for teachers of adult classes in small business bookkeeping. (WL)

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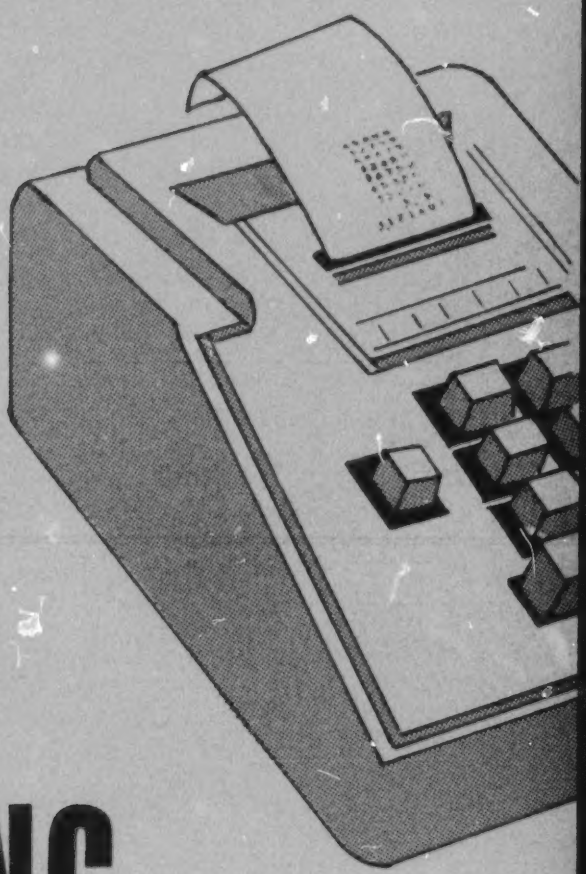
PART II

SMALL BUSINESS BOOKKEEPING



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A SUGGESTED ADULT BUSINESS EDUCATION COURSE

CE 009 480

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THE UNIVERSITY OF THE STATE OF NEW YORK / THE STATE EDUCATION DEPARTMENT
BUREAU OF CONTINUING EDUCATION CURRICULUM DEVELOPMENT/ALBANY, NEW YORK 12234
1975

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FOREWORD

The course described in this instructor's guide, *Small Business Bookkeeping*, Part II, is an adult course for those who are either keeping a set of records for a small business, or who wish to prepare to do so. Students in the course will very likely include those operating their own small businesses and others employed in such businesses.

The scope of a two-part course in small business bookkeeping was determined by an advisory committee which then prepared a general outline of its content. Part I of that course was published in 1973. Part II is contained in this book.

The members of the advisory committee were: Stephen Cumberbatch, Business Education Department, Newtown High School, Elmhurst; George J. Gearhardt, chairman of business education, Guilderland Central High School, Guilderland Center; Bernard Goldhill, Manpower Development Training Program, New York; Frederick G. Smith, chairman, Accounting Department, State University of New York Agricultural and Technical College, Cobleskill; Hobart H. Conover, chief, Bureau of Business Education; E. Noah Gould, associate in continuing curriculum; and Eugene Whitney, associate in business education. Mr. Conover and Mr. Gould were cochairmen of the committee.

The course in this book was written and all accounting problems and illustrative forms were prepared by Helen N. Safford, associate professor, School of Education, State University of New York at Albany. (Part I was also prepared by Professor Safford.) Mr. Gould guided the development and writing of both parts of the course, edited the manuscripts, and prepared them for publication.

Herbert Bothamley, *Chief*
Bureau of Continuing Education Curriculum Development

GORDON E. VAN HOOFT, *Director*
Division of Curriculum Development

MESSAGE TO THE INSTRUCTOR

The course described in this book is suitable for use in the adult education programs of school districts, of Boards of Cooperative Educational Services (BOCES), and in the community colleges of New York State. Part I (contained in another book) consists of 10 lessons, five problems, and additional illustrative material. The illustrations and problems are based on a dry cleaning business.

Part II (contained in this book) applies the principles covered in Part I, in a more advanced way. It is based on a business making retail sales of goods—a trading business. Those who take Part II should either complete Part I first or have the equivalent in training or experience. Part II contains seven lessons. Lessons 1 through 6 cover about 3 hours of class time each. Lesson 7, however, consists of a practice problem which is likely to require about four class sessions of 3 hours each. An appendix contains an additional practice problem.

Students will probably bring in bookkeeping problems from their jobs or businesses which can add much to the course. You should help them with these problems, and if one of the problems is of general interest, you might wish to explain it to the whole class.

The illustrations, forms, and problem solutions in this course all have figure numbers. In these numbers, the digit to the left of the decimal point is the number of the lesson in which the figure is first discussed. The digit (or digits) to the right of the decimal point show the number of the figure within the lesson. If a figure number has a "K" in it, this means that the figure is an answer key. Some answer keys have more than one page; digits to the right of the "K" show the sheet numbers for such an answer key.

An instructor for this course should be experienced in bookkeeping and, if possible, should have teaching experience also. A qualified instructor can usually be obtained from the faculty of a high school, a collegiate school of business, a school of education, or other similar schools.

The content of Part II can generally be covered in 10 sessions of 3 hours each, but this pattern is by no means universal, nor is it mandatory. For those students who wish to cover some topics in greater depth, the instructor can suggest materials for independent study.

An instructor or administrator who needs help in planning or conducting a course using this publication may contact the Bureau of Business Education.

HOBART H. CONOVER, *Chief*
Bureau of Business Education

ROBERT H. BIELEFELD, *Director*
Division of Occupational Education Instruction

CONTENTS

	Page
Foreword	iii
Message to the Instructor	iv
List of Illustrations, Forms, and Solutions to Problems	vi
Lessons	
1 Introduction	1
2 Data Sources and Recording for a Trading Business	8
Problem 1, November Transactions	14
3 Journalizing, Posting, and Trial Balance	16
4 Journalizing, Posting, and Trial Balance (continued)	18
Problem 2, December Transactions	18
5 Eight-Column Worksheet, and Preparing Financial Statements	21
6 Adjusting and Closing the General Ledger, and Preparing the Post-Closing Trial Balance	27
7 Practical Problem	28
Appendix A Illustrations, Forms, and Solutions to Problems	30
Appendix B Sno Shack Practical Application Problem, Small Trading Business	84
Appendix C Tips for Teachers of Adult Classes in Small Business Bookkeeping	98

LIST OF ILLUSTRATIONS, FORMS, AND SOLUTIONS TO PROBLEMS

Figure	Title	Page
1.1	Income Statement, Sleepy-Time Motel	31
1.2	Balance Sheet, Sleepy-Time Motel	32
1.3	Comparison of Service Business and Trading Business	33
1.4	Income Statement, North Star Appliances	34
1.5	List of Inventory Items, North Star Appliances	35
1.6	Inventory Card, North Star Appliances	36
2.1	Sales Ticket	37
2.2	Daily Sales Sheet	38
2.3	Purchase Invoice	39
2.4	Checkbook	40
2.5	Petty Cash Voucher	41
2.6	Petty Cash Book	42
2.7K	Answer Key, Petty Cash Book, October 15	43
2.8K	Answer Key, Petty Cash Summary, October 15	44
2.9	Combined Cash Journal	45
3.1	Chart of Accounts, North Star Appliances	46
3.2	General Ledger Form	47
3.3K	Answer Key, Cash Proof, November 30	47
3.4K	Answer Key, Combined Cash Journal, November Transactions	48
3.5K	Answer Key, General Ledger, November Transactions	49
3.6K	Answer Key, Trial Balance, November 30	56
4.1K	Answer Key, Combined Cash Journal, December Transactions	57
4.2K	Answer Key, General Ledger, December Transactions	58
4.3K	Answer Key, Trial Balance, December 31	67
5.1	8-Column Worksheet	68
5.2K	Answer Key, 8-Column Worksheet, December 31	69
5.3K	Answer Key, Balance Sheet, December 31	70
5.4K	Answer Key, Income Statement	71
6.1K	Answer Key, Adjusting Entries and Closing Entries	72
6.2K	Answer Key, General Ledger, Closed (Balanced and Ruled)	73
6.3K	Answer Key, Post-Closing Trial Balance	83

LESSON 1
INTRODUCTION

Content Outline		Teaching Suggestions and Techniques
I.	Introduction to the Course	Have the students introduce themselves and give general comments as to the type of work they do and their previous bookkeeping experience. Establish an informal relaxed atmosphere for the classroom.
A.	Purpose of course	It is assumed that the students enrolled in this course have taken Part I of *Small Business Bookkeeping* or have had some previous bookkeeping instruction. Part II of *Small Business Bookkeeping* is offered for students interested in the records necessary for a trading business. Upon completion of this course a person should be able to keep the records of a small retail trading business. *Note:* The term *trading business*, as used in this course, means a business which sells goods to customers at retail.
B.	Course content	Mention the topics to be covered in Part II and give the students an overview of the course.
C.	Reference materials	Explain to the students that this course is self-contained, with general content and practice problems to apply the concepts learned. The following may be used as general reference for students interested in further reading and practice:
1.	Textbooks	Boynton, Lewis D. and others. *Century 21 Accounting, First-Year Course* (with key to problems). Cincinnati, Ohio. South-Western Publishing Co. 1972. Chapters 12-20. Freeman, M.H. and others. *Accounting 10/12;* 2d ed. New York, N.Y. McGraw-Hill Book Company. 1973. Part II: *Accounting Systems and Procedures*, and Part IV: *Special Accounting Procedures*.
2.	Practice sets	Use a published practice set at the end of this course to provide the students with the experience of using related business papers upon which transactions are based. The following practice sets are suggested:

Campers' Cove Business Simulation (with business papers) by Lewis D. Boynton and others. Published by South-Western Publishing Company, Cincinnati, Ohio, 1972.

Judd Paint Company, Practice Set for Accounting 10/12, Part II by M.H. Freeman and others. Published by Gregg Division, McGraw-Hill Book Company, 1968.

3. Supplemental problem

A supplemental practice problem is provided in this book as lessons 7 through 10. Also included are forms to be duplicated by the instructor and keys for the problem.

The time covered by lessons 7 through 10 should be used either for completing a commercial practice set *or* for doing the supplemental problem.

II. Records of a Typical Service Business

For review, a motel is used in this book as an example of a service business. Part I of this course is based on a dry cleaning business, another example of a typical service business.

A. Cash received

Draw out from the class the sources of cash for a motel business. These sources are:

1. Room rentals (the primary source of income for a motel)
2. Additional investment by owner
3. Sale of old furnishings and equipment

B. Cash paid out

Have students describe some of the common items of expense for a motel owner. List them on a transparency or the chalkboard as the students mention them. The list might include items such as:

1. Expense items

- room furnishings
- linen service
- utilities
- office supplies and equipment
- salaries
- room maintenance supplies and equipment
- insurance
- grounds care
- land and buildings
- taxes

Show transparencies of Figures 1.1, Income Statement, and 1.2, Balance Sheet for Sleepy-Time Motel. Review with class and discuss.

III. Records of a Typical Trading Business

The trading business upon which this course is based is a small electrical appliance business (North Star Appliances) at the retail level.

A. Cash received

Generate from the class the sources of cash for a small electrical appliance business. List them on chalkboard or transparency and discuss. The main sources are:

1. Sources of cash

- Sale of goods
- Additional investment by owner
- Sale of old store equipment or fixtures

The main source of cash for this business is from the sale of goods to customers.

B. Cash paid out

Elicit from the class the typical expenses of a small retail merchant. Assume that the small electrical appliance store is in a central shopping area and that the owner of the business is renting store space. List the items as students describe them. Typical expense items include:

1. Typical expense items

- cost of item sold (cost to merchant)
- heat
- lights (electricity)
- rent
- salaries
- insurance
- telephone
- store fixtures and equipment (display counters, shelves, cash register, adding machine, etc.)
- store supplies (wrapping material, office supplies, store supplies)

C. Operation of a small trading business

Discuss with the class the overall operation of a small trading business. Emphasize the following:

- The retail merchant must maintain an inventory of goods for sale to prospective customers.
- Regular store hours must be mainained. This generates operating expenses (rent, salaries, utilities, etc.) which are relatively fixed.
- The owner of a trading business is in business to make a profit and the main source of cash is from the sale of goods to customers.

Show a transparency of Figure 1.3, Comparison of Service Business and Trading Business. Discuss it.

IV. Income Statement, Small Appliance Business

Show a transparency of Figure 1.4, Income Statement, North Star Appliances. Compare Figure 1.4 with the income statement of Sleepy-Time Motel, Figure 1.1.

Point out that an income statement for a trading business differs from that of a service business in that it has a Cost of Goods Sold section, and a Gross Profit on Sales section. Operating expenses are shown after the gross profit, then net profit is shown.

A. General Ledger accounts of a service business

Briefly review the ledger accounts of a service business including assets, liabilities, capital, income, and expenses. Refer to Figures 1.1 and 1.2, if necessary.

B. New accounts needed for a trading business

Describe fully the new accounts by title and classification.

1. Merchandise Inventory

Merchandise Inventory is an asset account. This account represents the goods on hand for sale to customers at the time the balance sheet is prepared. The balance of this account is determined by an actual physical count of items on hand (in storage and on the shelves) and is, in general, at cost.

2. Purchases

Purchases is a cost account, listed with the expense accounts. When goods for resale to customers are purchased by the business, the amount paid for the goods is entered as a debit to the Purchases account. The merchant either pays cash for the goods or buys it on credit. The entry to record the transaction would be either

a. Debits and Credits

Debit: Purchases Account
Credit: Cash Account (cash)

OR

Debit: Purchases Account
Credit: Accounts Payable (credit)

Demonstrate in T-account form on chalkboard.

3. Accounts Payable

Accounts Payable is a liability account. This account represents amounts owed to creditors. When a purchase is made on credit to be paid at a later date, the amount is entered on the credit side of Accounts Payable. The entry to record the transaction would be

a. Debits and Credits

Debit: Purchases (for goods to be resold to customers)
Credit: Accounts Payable

When the amount is paid (at a later date), the entry to record the transaction would be

Debit: Accounts Payable
Credit: Cash

Demonstrate in T-account form on chalkboard. Discuss with class and, if needed, briefly review the debit/credit-increase/decrease concept for assets, liabilities, capital, income, and expenses.

4. Sales

Sales is an income account. For a trading business, this account represents the total amount received from the sale of goods (at retail). When a sale is made, the Sales account is credited. The transaction involves receiving cash for the sale of an item and the entry would be

a. Debits and Credits

Debit: Cash
Credit: Sales

V. The *Why* of Income and Cost Accounts

The retail merchant is confronted with the problem of keeping records that will show the cost of doing business. This involves the concept of *markup* to arrive at a retail price for the goods he sells. The merchant must also maintain accurate inventory and purchase figures. And he must understand how to use these figures to determine the cost of goods sold and to arrive at gross profit.

A. Computation of Cost of Goods Sold

Demonstrate fully, using the chalkboard or an overhead projector, how to compute Cost of Goods Sold.

1. Formula

- Formula:

Beginning Inventory
plus
Purchases
=Cost of Goods Available for Sale
minus
Ending Inventory
=Cost of Goods Sold

2. Computations

- Problem: Find Cost of Goods Sold.

Beginning Inventory (Jan. 1)	$8,600
Ending Inventory (March 31)	7,200
Purchases	8,100

2. Computations

Solution:

Merchandise Inventory, Jan. 1	$8,600.00
Purchases	8,100.00
Goods Available for Sale	$16,700.00
Less: Mdse. Inventory Mar. 31	7,200.00
Cost of Goods Sold	$ 9,500.00

3. Practice

- Have students do the following individually.

Problem: Find Cost of Goods Sold.

Beginning Inventory (Jan. 1)	$9,050
Ending Inventory (Dec. 31)	9,600
Purchases	53,192

Answer: Cost of Goods Sold $52,642.00

Supply more practice problems, if needed.

B. Computation of selling price

1. Markup principles

The markup process is a way of determining the selling price of an item from the cost. In retail businesses, the *markup rate* for a given item (or kind of item) is usually stated as a policy. Then, for each item, the selling price is computed. Present and demonstrate the following problem.

2. Problem

A merchant wishes to sell an electric frypan which cost him $14.00, to realize a gross profit of 30% based on retail selling price. What will be the selling price (S.P.) of the frypan?
NOTE: The markup rate is the same as the gross profit.

a. Analysis

Analyze the problem with the class: It gives the cost of the frypan to the merchant, and the desired markup, 30%, based on selling price.

b. Restatement of problem

Cost	=	$14.00
Markup (on S.P.)	=	30%
Selling price	=	?
Selling price (S.P.)	=	100%
Markup (on S.P.)	=	30%
Cost must be equal to		70%

c. Solution

Selling price (S.P.) = cost ÷ 70%
= 14.00 ÷ .70 = $20.00

d. Checking the result

Check the answer by taking 30% of selling price,
.30 X $20 = $6.00
and adding the result ($6) to cost ($14) to see if it proves equal to the selling price ($20).

Cost (70%)	$ 14.00
Markup (30%)	6.00
Selling Price (100%)	$ 20.00

The answer checks.

3. Practice problem.

Have the students try another problem working individually:
What would be the selling price of an electric coffee pot that cost the merchant $8.00 if the markup is 20% based on selling price?

a. Solution

As before, S.P. = 100%
Markup on S.P. = 20%
Cost = 80%

S.P. = Cost ÷ 80%
= 8.00 ÷ .80 = $10.00

4. Guidelines on pricing

Point out that markup can also be a percent based on cost. Sometimes the manufacturer will have a suggested selling price or a suggested percent of markup to guide the retail merchant.

C. Merchandise Inventory

Merchandise Inventory is carried on the books as an asset account because it represents an investment in goods for resale to customers. The merchant owns the goods until they are sold to customers.

1. Inventory records

a. Many items involved

Briefly describe why inventory records are kept. Show a transparency of Figure 1.5, List of Inventory Items, North Star Appliances. This gives examples of some of the items which might be found in an appliance store.

Point out that there is a large number of items within an inventory. For example, a small electrical appliance store has a wide range of items and a variety within each item.

b. Varieties of items

For variety within an item, for example, the retail merchant might carry two or more brands of toasters. Each brand might have two or more sizes or models. Each size or model might have two or more colors (trim, or type of metal). Each of these brands, sizes, and models would probably have a different price.

c. Information needed on record

For each item in inventory, the retail merchant will have a stock inventory record. The record should show

- Stock number of item
- Name of the item
- How many are currently in inventory

- Minimum and maximum number to be in inventory (a guide for reorder)
- Number sold and dates of sales
- Number entered into stock and dates

d. Inventory Card — Show a transparency of Figure 1.6, Inventory Card. Discuss it.

2. Inventory control — Briefly describe the procedures of a business in maintaining an adequate quantity of goods on hand to satisfy customers. This generally involves the establishment policy to:
- Control the quantity on hand
- Keep accurate up-to-date records of inventory
- Guard against loss through theft or damage

D. Profit terms — Distinguish the difference between *gross profit* and *net profit*.

1. Gross profit — A retail merchant makes his *gross profit* from selling goods at a price higher than he paid for the goods. Gross profit is found by subtracting the cost of goods sold from net sales.

2. Net profit — *Net profit* is found by subtracting the expenses of doing business (operating expenses) from gross profit. Refer back to Figure 1.4, Income Statement, if necessary.

LESSON 2
DATA SOURCES AND RECORDING FOR A TRADING BUSINESS

Content Outline	Teaching Suggestions and Techniques
I. Sources of Data for a Trading Business	Problems in narrative form provide practice in recording transactions. But in a real business situation, the bookkeeper must recognize the kind of book entry needed for a given series of events. The purpose of this section is to discuss the type of business papers that usually support the receipt or payment of cash.
A. Cash received 1. Sales Slip (or Sales Ticket)	Explain that there are various procedures used by a small businessman in a trading business to write up a sale. One common procedure is to use a multiple-copy sales slip that is written up at the time of the sale. The original is given to the customer. The copies are kept by the businessman for cash control and control of inventory.

Show transparency of Figure 2.1, Sales Slip, and discuss it.

a. Another procedure

Another procedure used is to provide the customer with only a cash register tape (duplicate of tape is made within the cash register for the businessman). The clerk making the sale will record the information on a form retained by the businessman for cash and inventory control. In this method, the clerk is usually required to make a one-line entry on the form showing date, item (description: model No., color, size), quantity, price, sales tax, and total amount of cash received.

Show transparency of Figure 2.2, Daily Sales Sheet.

b. Purposes

Whatever method is used, the business needs written evidence of each sale to verify the cash, sales tax, and total sales. Generally, the business paper generated at the time of the sale is also used to keep a check on inventory. Also, it is good business practice to supply the customer with written evidence (sales slip or cash register tape) for proof of purchase, in case an item purchased has to be returned.

2. Cash register tape

Use of a cash register, with printed tape, provides a chronological record of cash for the day. At the end of the day, the total cash in the drawer, after subtracting the change fund, should agree with the total cash taken in as indicated by the tape. This amount should also agree with the total amount derived from the duplicate sales slips for the day or the sales summary sheet.

NOTE: *Change fund* refers to the amount of cash put in the drawer at the beginning of the day to make change. A typical amount for a small trading business is $50.00.

3. Other sources of cash received

Point out that other sources of cash for the business might include additional investments by the owner, and the sale of old furniture or equipment of the business. In either case, the cash would probably be in the form of a check. An entry would be made directly into the books followed by a deposit in the bank. This type of a transaction usually would not be handled through the cash register. These sources of cash represent receipts other than from the sale of goods to customers.

B. Cash paid out

1. Purchase invoice

(Refer back to Lesson I, IV-B.) Discuss with the class the Purchases account and Accounts Payable account including the procedure of buying goods for resale to customers.

The supplier will send a *Purchase Invoice* to the businessman when the goods are shipped. Show transparency of Figure 2.3, Purchase Invoice.

a. Used for checking goods

When the goods are received by the business, before they are put into inventory, they are checked against the original order and the Purchase Invoice.

b. Basis of book entries

After the goods received and the computations have been verified, the Purchase Invoice becomes the basis for the entries in the books:

Debit: Purchases Account
Credit: Accounts Payable Account

The Purchase Invoice is evidence of money owed for goods received.

c. Credit terms on invoices

At this time, the terms of the invoice would also be noted and a note would be made as to when it should be paid. Review briefly the terms of an invoice and how cash discounts are computed.

Now show Figure 2.3, Purchase Invoice and discuss it. The invoice is dated October 8 and the terms are 2/15, 1/30, n/60.

d. Explanation of terms

If this invoice is paid not later than 15 days from its date (on or before October 23), the businessman can take a 2% cash discount. If it is paid within 30 days of its date (on or before November 7), the businessman can take a 1% cash discount. If it is paid after November 7, no cash discount is given. But the total amount should be paid on or before December 7 (60 days from date of invoice).

Supply more examples, if needed.

e. Summary of Purchase Invoice

Summarize the uses of the Purchase Invoice. It is a business paper used by the businessman to

- Verify the goods received (quantity, type, and cost)

- Establish the cost figure for inventory records
- Provide a cost figure for computation of selling price
- Furnish evidence that money is owed to the supplier

2. Checks

Good cash control requires that cash received be deposited in the bank promptly, and cash paid out be in the form of a check. This should be the general rule.

a. Checkbook

Usually the owner of a small business will maintain a *Checkbook* in addition to the *Combined Cash Journal*.

Show transparency of Figure 2.4, Checkbook.

b. Book entries

When a check is written, the stub information is entered in the Checkbook, and a current balance maintained. The check, supported by the invoice, would then be the business paper to cause an entry in the cash payments section of the Combined Cash Journal.

At the end of the month, the cash balance in the Checkbook Register would be reconciled with the bank statement. It should also agree with the cash balance of the Combined Cash Journal.

3. Signed receipts for cash payments

The general rule for good cash control is to issue a check for all cash payments, but some businesses do issue cash from the cash drawer for some bills. For example, in a small grocery business: for daily deliveries such as dairy products and baked goods, cash might be used. In this case, the delivery person prepares an invoice, cash is paid out, and the person receiving the cash signs a receipt. The receipt is written either directly on the face of the invoice or on a separate sheet. It is placed in the cash drawer.

a. Book entries

If cash is paid out, a signed receipt must be placed in the cash drawer as evidence of payment. This signed receipt, with the supporting invoice (or bill) then becomes the business paper used to record the payment of cash in the Combined Cash Journal.

4. Petty Cash Vouchers

Discuss the general concept of a petty cash fund. When cash is paid from the fund a signed receipt is placed in the petty cash box. This signed receipt is called a *Petty Cash Voucher*.

Show a transparency of Figure 2.5, Petty Cash Voucher.

The Petty Cash Voucher is evidence of payment of cash from the fund. When the fund is replenished with cash, the petty cash vouchers together with a summary sheet form the business papers to record the expenses in the Combined Cash Journal.

II. Petty Cash Procedures

A. Purpose of petty cash fund

A petty cash fund is established to provide a nominal amount of cash, in a separate fund, for small cash payments. Examples include postage due, package delivery charges, postage, donations, ad in local newspaper, and incidental store supplies. This saves writing checks for small amounts.

B. Establishment of the fund

Discuss with the class that when a fund is established, one person is made responsible for its maintenance. The size of the fund is determined by the needs of the business. It should be large enough to cover small cash expenditures for 2 to 4 weeks. The fund is usually kept in a cash box separate from the regular cash register drawer. Separate records are also kept for the petty cash fund.

1. Check issued

To start the fund, a check is issued from the regular business cash account made payable to cash or petty cash. The check is then cashed and the money placed in the petty cash box.

2. Example

For example, to establish a petty cash fund for $50, the journal entry is

Debit:	Petty Cash	$50.00	
Credit:	Cash		$50.00

Demonstrate in T-account form on chalkboard. This is merely the transfer of cash from one asset account (Cash) to another (Petty Cash).

C. Operation of fund

Show a transparency of Figure 2.6, Petty Cash Book. Distribute copies of this form to the class.

1. Use of Petty Cash Book

Demonstrate, using overhead projector or chalkboard, the recording of the $50 in the Petty Cash Book to establish the petty cash fund. Have the students record the following expenditures in their copies of the Petty Cash Book.

2. Petty cash expenditures

Oct. 1. Established petty cash fund, $50
3. Paid mailman 14¢ for postage due (postage)
7. Paid $4.00 for window washing (miscellaneous)
8. Paid $4.24 for parcel post charges (postage)
8. Paid $8.00 donation to Heart Association (donations)
9. Paid $5.00 for postage stamps (postage)
12. Paid $6.50 for ad in local paper (advertising)
14. Paid $3.12 for instant coffee, sugar, and powdered cream (miscellaneous)
15. Paid $4.89 for envelopes, 6 ballpoint pens, and adding machine tape (store supplies)

After they have made the entries, show the students Figure 2.7K, Answer Key, Petty Cash Book. Point out to them the totaling, ruling summarizing, and replenishing of the Petty Cash Book. Use Figure 2.8K, Answer Key, Petty Cash Summary.

Explain that the cash to replenish the petty cash fund will be the difference between the balance on hand in the fund ($14.11) and $50.00. After the fund is replenished it will again have $50.00 in cash.

D. Replenishment of the fund

The Petty Cash Summary (Figure 2.8K) and the signed Petty Cash Vouchers constitute the business papers for drawing a check to replenish the petty cash fund and to record the transaction in the Combined Cash Journal. The entry in the Journal would be

1. Entries in the Combined Cash Journal

Debit:		
Advertising Expense	$6.50	
Donations Expense	8.00	
Postage Expense	9.38	
Store Supplies Exp.	4.89	
Misc. Expense	7.12	
Credit: Cash		$35.89

When the $35.89 check is cashed, the petty cash fund has a balance of $50.00 cash.

Demonstrate the recording of the cash received ($35.89) in the Petty Cash Book.

At all times the petty cash fund must have either $50.00 actual cash or the combination of actual cash plus the total of the signed vouchers equal to $50.00.

III. Combined Cash Journal for a Trading Business

A. Format

Show a transparency of Figure 2.9, Combined Cash Journal. Most small businesses use this journal rather than special journals. The Combined Cash Journal is used to record all the transactions of the small business.

1. Number of columns needed

The number of columns used in a Combined Cash Journal is flexible. A column can be added whenever there is enough repetition of one kind of entry. It can be eliminated whenever it becomes clear that it is not needed.

B. Recording the transactions of Problem 1

Problem 1 is a selected group of typical transactions for a small appliance business, North Star Appliances. Distribute copies of Figure 2.9, Combined Cash Journal, to the class.

Use chalkboard or overhead projector and present each transaction to the class. Analyze and discuss each transaction, then record it in the Combined Cash Journal with the students recording in their own copies.

1. Basic steps

While recording the transactions for the North Star Appliances, emphasize to the class the importance of the following:

- Analyze each transaction before recording it.
- In double entry bookkeeping, debits must equal credits. At least two accounts are affected by each transaction.

PROBLEM 1
NOVEMBER TRANSACTIONS

Record the following transactions in a Combined Cash Journal.

Nov. 1. Record beginning cash balance $1,700.00.
1. Paid Central Mall Association $220.00 for November rent
2. Cash sales $246.10 (Sales $230.00; Sales tax $16.10)
3. Paid N.Y. Telephone $31.90, Telephone service
5. Cash sales $195.17 (Sales $182.40; Sales Tax $12.77)
6. Paid Andersen Electric Company invoice, $288.45, less 1% discount (See Figure 2.3 in Lesson 2.)
6. Payroll, net cash paid $202.25
Distribution for recording:

Salary expense	$245.30
Federal income tax	22.90
State income tax	5.80
FICA tax	14.35

6. Record employer's FICA tax expense $14.35.
7. Cash sales $419.44 (Sales $392.00; Sales tax $27.44)
10. Cash sales $289.97 (Sales $271.00; Sales tax $18.97)
10. Received credit memorandum for $21.60 from Skiff's Electric for a damaged roaster oven returned for credit (Roaster oven was badly damaged when received.)
12. Paid 60-day $1,000.00 note due today with interest at 8% (Notes payable $1,000.00; Interest expense $13.33; Cash credit $1,013.33)
12. Cash sales $205.44 (Sales $192.00; Sales tax $13.44)
13. Payroll, net cash paid $202.25
Distribution for recording:

Salary expense	$245.30
Federal income tax	22.90
State income tax	5.80
FICA tax	14.35

13. Record employer's FICA tax expense $14.35.
14. Paid Diamond Electric invoice for $106.00 for merchandise purchased on account
14. Cash sales $271.78. (Sales $254.00; Sales tax $17.78)
15. Purchased $176.00 worth of merchandise from Andersen Electric Company on account, terms 2/15, 1/30, n/60
17. Mr. North, owner, made an additional investment in business of $1,200.00
17. Cash sales $331.70 (Sales $310.00; Sales tax $21.70)
18. Issued check to replenish the Petty cash fund. The Petty cash summary sheet shows the following distribution:

Advertising expense	$14.40
Donations	10.00
Postage	5.00
Miscellaneous	11.00
Cash needed	$40.40

18. Purchased $268.00 worth of merchandise from Diamond Electric Company on account
20. Payroll, net cash paid $202.25
Distribution for recording:

Salary expense	$245.00
Federal income tax	22.90
State income tax	5.80
FICA tax	14.35

20. Record employer's FICA tax expense $14.35.
21. Cash sales $234.33 (Sales $219.00; Sales tax $15.33)
23. Paid $21.36 to local PRUDENT SHOPPER for 4-inch ad on special holiday sale
25. Mr. North, owner, withdrew $500.00 cash for personal use.
25. Cash sales $175.48 (Sales $164.00; Sales tax $11.48)
29. Paid Andersen Electric Company invoice $176.00, less 2% discount
30. Prepare a cash proof from Combined Cash Journal. Checkbook shows a cash balance of $2,271.62.

Content Outline	Teaching Suggestions and Techniques
I. Record the Transactions of Problem 1. (continued)	Briefly review the transactions recorded in the Combined Cash Journal from Lesson 2. Finish journalizing Problem 1, using the pattern already established. Allow time for questions and discussion.
II. Summarize the Combined Cash Journal.	Using the chalkboard or overhead projector, demonstrate the procedure for footing and ruling the Journal. Emphasize the importance of accuracy in adding the columns, proving the equality of the debits and credits, and preparing a cash proof. The balance of cash should agree with the balance in the checkbook, which in turn is reconciled to the bank statement. Refer to Figure 3.3K, Answer Key, Combined Cash Journal for November, and Figure 3.4K Answer Key, Cash Proof, November 30.
III. Open and Post the General Ledger.	
A. Two-Column General Ledger	Show a transparency of Figure 3.2, General Ledger. Review the purpose of the General Ledger and the overall procedures for posting it.
1. Opening the General Ledger	Provide the students with copies of the blank General Ledger form (Figure 3.2). Demonstrate the opening of the General Ledger Accounts, using Figure 3.1, Chart of Accounts, North Star Appliances, which shows account balances. Have students set up their Ledger accounts. Direct this process, at least for the first few accounts, then carefully supervise as the students work independently.
2. Posting for November	Demonstrate the posting procedure and have students work with their own Journal and Ledger accounts. Allow time for questions and discussion.
a. Steps in posting	While working together, emphasize: • That the proper steps should be used in transferring information from Journal to Ledger.

- For example, in posting the total cash debit
  (1) Locate the Cash General Ledger account.
  (2) Record in Ledger (debit side) amount, date, and posting reference. (Use *CJ* for Combined Cash Journal.)
  (3) Record in the Journal at foot of cash debit column the record posting reference 101, which is the Cash Ledger account number.

b. Account to be posted

- That the column heading in the Journal indicates to which account each item in that column should be posted. Also whether it is a debit or a credit.
- That most columns are posted in total to the Ledger account indicated. But a figure in the General Ledger debit or credit column requires that that amount be posted to the account manual in the "Account Title and Explanation" column.

c. Importance of accuracy

- That all posting be done carefully and accurately.

3. Computing account balances

Using the chalkboard or overhead projector demonstrate the procedure for computing account balances. Do not show computations in the Ledger account but only small pencil footings. Show the balance on the proper side of the account. (See Figure 3.4K, Answer Key, General Ledger, November.)

Prepare the Trial Balance.

Provide a copy of a Trial Balance form for each student. Briefly review the purpose of a trial balance and how it is prepared.

Show how to prepare a Trial Balance for North Star Appliances for November, with students working individually on their own materials. (See Figure 3.6K, Answer Key, Trial Balance, November 30.)

Answer questions.

Now allow time for questions and discussion.

Lesson 4 provides transactions for December on which students should work independently to journalize, post, and take a trial balance.

Content Outline	Teaching Suggestions and Techniques
I. Review Problem 1.	This lesson is a reinforcement of journalizing, posting, and preparing a trial balance. The students are to work independently. Review the work finished for November transactions in Problem 1. Point out to the students that their trial balance for November 30 must be in balance since Problem 2, December transactions, will be posted using that balance as a base.
II. Problem 2, December Transactions	
A. Journalize.	Distribute copies of the Combined Cash Journal form (Figure 2.9) and have the students journalize December transactions. Also give them copies of Problem 2, December Transactions, which appears at the end of this lesson. Have students work independently with a minimum of assistance. But you should supervise the activity and make suggestions where appropriate. When the students are finished, check the results against Figure 4.1K, Answer Key, Combined Cash Journal, December Transactions. Discuss with class and answer questions.
B. Post to General Ledger.	Briefly review the posting procedure used for November transactions. Have students post their December Journal entries to their General Ledger accounts and compute the account balances. Check the results against Figure 4.2K, Answer Key, General Ledger. Note: You may prefer to have students prepare a Trial Balance first and then check it against the answer key.
C. Prepare Trial Balance.	Review the Trial Balance. Distribute copies of a Trial Balance form and have the students prepare a Trial Balance for December 31. When they are finished, check the results against Figure 4.3K, Answer Key, Trial Balance, December 31.

D. Review the December entries.

Discuss with the students the work completed for December for North Star Appliances. Point out that most small businesses will have a periodic routine of journalizing, posting to the ledger, and preparing a Trial Balance.

E. Timing of the operations

- Journalizing is done either daily or as transactions occur.
- Posting is usually done at least once a month. It is helpful to post individual items from General Ledger debit and credit columns during the month to keep accounts current.
- A Trial Balance is usually prepared monthly to give the bookkeeper a periodic check on the equality of debits and credits in the General Ledger.

PROBLEM 2
DECEMBER TRANSACTIONS

Record the following transactions in a Combined Cash Journal.

Dec. 1. Beginning cash balance $2,271.62
1. Paid Central Mall Association $220.00 for December rent
2. Paid N.Y. Telephone $34.30, telephone service
2. Cash sales $230.05 (Sales $215.00; Sales tax $15.05)
3. Purchased $449.00 worth of merchandise from Andersen Electric Company on account; terms 2/15, 1/30, n/60
4. Cash sales $205.44 (Sales $192.00; Sales tax $13.44)
4. Received a credit memorandum for $10.90 from Diamond Electric for broken electric iron returned for credit
5. Cash sales $220.42 (Sales $206.00; Sales tax $14.42)
7. Payroll, net cash paid $202.25
Distribution for recording:

Salary expense	$245.30
Federal income tax	22.90
State income tax	5.80
FICA tax	14.35

7. Record employer's FICA tax expense $14.35.
8. Cash sales $310.30 (Sales $290.00; Sales tax $20.30)
9. Paid Diamond Electric Company invoice $268.00, less $10.90 per credit memorandum
10. Paid $23.00 to local PRUDENT SHOPPER for a 4-inch ad on special holiday sale
11. Mr. North, owner, withdrew $500.00 cash for personal use.
12. Cash sales $331.70 (Sales $310.00; Sales tax $21.70)

14. Replenished petty cash fund. The petty cash summary sheet shows the following distribution:

Advertising expense	$ 8.00
Donations	15.00
Postage	7.80
Miscellaneous	12.00
Cash needed	$42.80

15. Payroll, net cash paid $202.25
Distribution for recording:

Salary expense	$245.30
Federal income tax	22.90
State income tax	5.80
FICA tax	14.35

15. Record employer's FICA tax expense $14.35.
15. Cash sales $353.10 (Sales $330.00; Sales tax $23.10)
16. Paid Andersen Electric Company invoice $449.00, less 2% discount
18. Paid $44.80 to Utility Electric Co. for electrical service for 2-month period
23. Cash sales $434.42 (Sales $406.00; Sales tax $28.42)
28. Paid Skiff Electric invoice for $310.00, less 1% discount for merchandise purchased on account
30. Cash sales $171.20 (Sales $160.00; Sales tax $11.20)
31. Prepare a cash proof from Combined Cash Journal. Checkbook shows a cash balance of $2,354.83.

LESSON 5
EIGHT-COLUMN WORKSHEET, AND PREPARING FINANCIAL STATEMENTS

Content Outline	Teaching Suggestions and Techniques
I. Review of Problem 2	Briefly review the independent work from Lesson 4, December Transactions for North Star Appliances.
II. The 8-Column Worksheet	
A. Introduce the Worksheet.	Show a transparency of Figure 5.1, 8-Column Worksheet. Distribute copies of this worksheet to the class and discuss its purpose. Emphasize that: • It is a bookkeepers' tool, prepared from General Ledger balances for end-of-accounting-period analysis and adjustments. It is prepared in pencil and is not part of the formal financial papers. • A step-by-step process must be followed in preparing it. • When completed, it is a good basis for preparing financial statements and journalizing adjusting and closing entries.
B. Prepare a Worksheet.	Working with the class, demonstrate the preparation of an 8-Column Worksheet for North Star Appliances for the year ended December 31, 19__. (See Figure 5.2K, Answer Key, 8-Column Worksheet, December 31, 19__.)
1. Fill in headings.	Fill in main heading and the column headings. Point out that each pair of columns (Trial Balance, for example) has a debit column and a credit column.
2. Enter Trial Balance.	A Trial Balance has already been prepared for December 31. Point out that if a Worksheet is used, the bookkeeper probably would not prepare a separate Trial Balance but would enter it directly on the Worksheet from the ledger accounts. Working with the class, enter the trial balance on the Worksheet. Add the columns to be sure debits equal credits.
III. Adjustments on the Worksheet	Adjustments needed for North Star Appliances for December 31, 19__ are as follows:
A. Adjustments needed	• Physical count and pricing of the merchandise on hand shows a balance of $8,640.00 in merchandise inventory. • Value of prepaid insurance that has expired is $174.00.

- Physical count and pricing of store supplies shows a total of $140.00 worth on hand.
- Depreciation expense on store fixtures and equipment is $260.00.

B. The concept of adjusting ledger accounts

Discuss with the class the concept of adjusting certain ledger accounts to show true balances.

Use chalkboard or the overhead projector and present each adjustment to the class. Analyze and discuss each adjustment, then enter it in the Adjustments column on the Worksheet. The students should be making entries on their own Worksheets.

C. Adjustment of Merchandise Inventory

The first adjustment, the Merchandise Inventory account, must show the new balance of $8,640.00. We suggest the two-entry method for adjusting: (A) remove the old balance, (B) record the new balance.

1. Starting balance

Start with the balance shown on the Trial Balance, as illustrated in the T-account form:

Merchandise Inventory	
bal. 8,350.00	

The other account involved in the adjustment is the Profit and Loss Summary Account:

Profit and Loss Summary	
	(no balance on Trial Balance)

2. First adjusting entry

The first adjusting entry will remove the *old* balance from Merchandise Inventory account:

Merchandise Inventory	
bal. 8,350.00	(A) 8,350.00

Profit and Loss Summary	
(A) 8,350.00	

Adjusting entry (A)
Debit: Profit and Loss Summary $8,350.00
Credit: Merchandise Inventory $8,350.00

3. Second adjusting entry

The second entry will record the *new* balance in the Merchandise Inventory account:

Merchandise Inventory	
bal. 8,350.00	(A) 8,350.00
(B) 8,640.00	

Profit and Loss Summary	
(A) 8,350.00	(B) 8,640.00

Adjusting Entry (B)

Debit:	Merchandise Inventory	$8,640.00
Credit:	Profit and Loss Summary	$8,640.00

4. Balance after adjustments

After the adjustment, Merchandise Inventory shows a debit balance of $8,640.00, the *new* amount.

Point out that each adjustment entered on the Worksheet has a capital letter to identify the debit adjustment with the credit adjustment.

D. Adjustment of Prepaid Insurance

The (C) adjustment is to the Prepaid Insurance account and the insurance accounts.

1. Starting balance

Using T-accounts show the balance as listed on the Trial Balance:

Prepaid Insurance	
bal. 360.00	

Insurance Expense	

$174.00 of the prepaid insurance has expired--that amount of the prepaid premium applies to this accounting period. Therefore, that amount is recorded as an expense of this accounting period.

Discuss in full, using a specific example, to be sure the students understand how expired insurance is computed.

2. Adjusting entry

The entry to record the expired insurance for North Star Appliances is:

Prepaid Insurance	
bal. 360.00	(C) 174.00

Insurance Expense	
(C) 174.00	

Adjusting Entry (C)
Debit: Insurance Expense $174.00
Credit: Prepaid Insurance $174.00

3. Balance after adjustment

After adjustment, the Prepaid Insurance account shows a balance of $186.00 and Insurance Expense a balance of $174.00.

E. Adjustment of Store Supplies

The (D) adjustment concerns the Store Supplies account and the expense account, Store Supplies Expense.

1. Starting balance

The balances in T-account form as shown on the Trial Balance are:

Store Supplies	
bal. 285.00	

Store Supplies Expense	

The balance of store supplies on hand as of December 31, 19__ is $140.00, which means $145.00 worth of store supplies were used during the accounting period. The $145.00 would be the expense for the period for store supplies.

2. Adjusting entry

The adjustment entry to record this expense is:

Store Supplies	
bal. 285.00	(D) 145.00

Store Supplies Expense	
(D) 145.00	

Adjusting Entry (D)
Debit: Store Supplies Expense $145.00
Credit: Store Supplies $145.00

F. Adjustment for depreciation

The last adjustment is for depreciation. Discuss the concept of depreciation using a specific example.

Depreciation is the (E) adjustment and involves Accumulated Depreciation--Store Fixtures and Equipment account and the Depreciation Expense account.

1. Starting balances

Balances of these accounts as listed on the Trial Balance shown in T-account form are:

Accumulated Depreciation--Store Fixtures and Equipment	
	bal. 1,300.00

Depreciation Expense	

The depreciation adjustment of $260.00 represents the estimated decrease in the value of the store fixtures and equipment that is to be recorded as an expense for this accounting period.

2. Adjusting entry

The entry to record this expense is:

Accumulated Depreciation--Store Fixtures and Equipment	
	bal. 1,300.00
	(E) 260.00

Depreciation Expense	
(E) 260.00	

Adjusting Entry (E)
Debit: Depreciation Expense $260.00
Credit: Accumulated Depreciation--
Store Fixtures and Equip. $260.00

3. Balance after adjustment

The new balance in Accumulated Depreciation account is $1,560.00.

If time permits, discuss with the class the significance of the asset account, Store Fixtures and Equipment, and the minus asset account, Accumulated Depreciation.

After the last adjustment is entered on the Worksheet, add the adjustments columns to be sure the debits equal the credits, and make double lines where needed.

G. Extend amounts to Income Statement columns and Balance Sheet columns.

Demonstrate how each item is extended from the Trial Balance (combined with the adjustments) to either the Income Statement columns or the Balance Sheet columns according to the classification of the account.

1.	Example	For example, for the cash account, debit balance $2,354.83 (no adjustment), the amount is extended to the Balance Sheet debit column.
2.	Demonstrate on Merchandise Inventory.	Do each item individually and systematically. The first item with an adjustment is the Merchandise Inventory account. Demonstrate fully how the new balance is determined and extended to the Balance Sheet debit column.
H.	Compute net profit (or loss) and finish the Worksheet.	Working with the class, demonstrate the completion of the Worksheet.
1.	Total the columns.	Total the Income Statement columns and the Balance Sheet columns. Examine the Income Statement column totals. Is the credit total ($75,527.88) greater than the debit total ($63,338.84)? Since it is, there is a *net profit* for the period. Income is greater than expense.
2.	Determine the net profit.	Subtract the lesser amount from the greater amount and the difference ($12,189.04) is the net profit for the period. The difference between the two Balance Sheet column totals should be the same amount as the net profit ($12,189.04).
3.	Enter the net profit.	Enter the net profit, bring down the final totals, and double rule the Worksheet. Point out that the net profit (or loss) figure is used as a balancing figure.
IV.	Preparation of Financial Statements	
A.	Balance Sheet	Using the completed Worksheet, Figure 5.2K, prepare a Balance Sheet for North Star Appliances as of December 31, 19__. (See Figure 5.3K.)
B.	Income Statement	Using the completed Worksheet, Figure 5.2K, prepare an Income Statement for North Star Appliances for the year ended December 31, 19__. (See Figure 5.4K.)
C.	Summary	Point out to the class that the net profit figure on the Income Statement is also shown in the Owner's Equity section of the Balance Sheet. Allow time for questions and discussion of the work completed to date.

LESSON 6
ADJUSTING AND CLOSING THE GENERAL LEDGER, AND PREPARING THE POST-CLOSING TRIAL BALANCE

Content Outline	Teaching Suggestions and References
I. Review of Worksheet	Briefly review the Worksheet that was completed in Lesson 5. Remind the students that the financial statements were prepared from the Worksheet and that the information on the Worksheet will be used to journalize the adjusting and closing entries.
II. Adjusting and Closing Entries A. Adjusting entries 1. Journalizing	Distribute copies of the Combined Cash Journal (Figure 2.9) to the class. Review the adjustments that were made on the Worksheet for North Star Appliances and the manner in which each adjustment is keyed. Working with the class, demonstrate the journalizing of the adjusting entries starting with adjustment (A). (See Figure 6.1K.)
2. Posting to Ledger	After the adjusting entries are journalized, post them to the General Ledger accounts. Have the students compute the account balances for the accounts involved with adjustments. Make sure that each balance agrees with the balance shown on the financial statements and/or the extended balance on the Worksheet.
B. Closing entries 1. Results of closing entries	Discuss with the class the purpose of closing entries. As a result of closing entries, three things are accomplished: • Income accounts are closed (in balance). • Expense accounts are closed (in balance). • Net profit (or loss) is transferred to the capital section (in agreement with the financial statements).
2. Closing entries needed	To close the General Ledger for North Star Appliances, make four closing entries (Figure 6.1K): • Transfer income to Profit and Loss Summary account. • Transfer expenses to Profit and Loss Summary account. • Transfer net profit (or loss) from Profit and Loss Summary account to the Drawing account. • Transfer the net increase (or decrease) from the Drawing account to the permanent Capital account.

	3. Journalizing	Demonstrate the journalizing of the closing entries, working from the Worksheet. The concept can be clearly illustrated first in T-accounts before actually journalizing.
	4. Posting to Ledger	Have the students post the closing entries to their General Ledger accounts. When the posting is completed, have them compute account balances to be sure the temporary accounts are in balance, that is, closed.
C.	Balancing and ruling the General Ledger accounts	Briefly review the classification of accounts in the Ledger. Point out that the permanent accounts (Balance Sheet accounts) are balanced and ruled, but a balance is also shown for the beginning of the new accounting period. The temporary accounts (income and expense accounts) are closed (without balances) to start the new accounting period. Demonstrate balancing and ruling the General Ledger for North Star Appliances. (See Figure 6.2K.)
D.	Post-Closing Trial Balance	Distribute a Trial Balance form and have the students prepare a Post-Closing Trial Balance (Figure 6.3K). Make sure debits equal credits in the Ledger after the closing procedures. Review the accounting cycle, emphasizing that it is repeated each accounting period. Allow time for questions and discussion of the work completed.

LESSON 7
PRACTICAL PROBLEM

Content Outline		Teaching Suggestions and Techniques
I.	Purpose of Application	In Lesson 1, we recommend that a published practice set be used at the end of this course. This will provide the students with experience in using the related business papers upon which transactions are based. Several commercially published practice sets are suggested in Lesson 1.
A.	Alternate application	If you prefer, you can use the supplemental practice problem (SNO SHACK, Appendix B) in place of a published practice set. This supplemental problem includes transactions for December plus

the closing for the end of the year. It also includes forms (which can be duplicated) and answer keys for the problem.

We estimate that four class sessions would be an appropriate amount of time to devote to completing either a practice set or the supplemental problem.

II. Procedure

In using either a practice set or the supplemental problem, we recommend that you do the following. (In the statements below, we will assume you have chosen to use the practice set.)

A. First do the practice set yourself.

Do the practice set yourself before you assign it to the students. As you do it, notice:

- What the student will need to work the practice set
- The type of entries which might give the student problems
- The time required to complete the set

B. Review the materials with the students.

Review the practice set with the students before they work it to emphasize:

- Type of business involved
- Task the student is confronted with
- Time schedule to be followed

C. Provide check figures.

Provide check figures at key points. For example: Journal totals, Trial Balance totals, net profit (or loss) figures, etc.

D. Make your completed set available.

Make your completed practice set available as an answer key while the students are doing their sets.

III. Summary

Review with the students the bookkeeping cycle and the role of the bookkeeper and/or accountant in the small business environment.

APPENDIX A
ILLUSTRATIONS, FORMS, AND SOLUTIONS TO PROBLEMS

SLEEPY-TIME MOTEL

INCOME STATEMENT

For the month ended January 31, 19__

Income from Sales:		
Sales		$ 4,710.00
Operating Expenses:		
Advertising	$ 163.00	
Electric	156.80	
FICA Tax	38.72	
Heat	265.00	
Insurance	300.00	
Linen Service	750.00	
Maintenance and Repairs	150.00	
Miscellaneous	19.00	
Office Supplies	38.00	
Salaries	710.00	
TV Repairs	63.00	
Taxes	139.50	
Telephone	123.40	
Total Expenses		2,916.00
Net Income		$ 1,793.58

Figure 1.1
Income Statement
Sleepy-Time Motel

SLEEPY-TIME MOTEL

BALANCE SHEET
As of January 31, 19__

Assets			
Cash			$ 1,530.00
Petty Cash			50.00
Prepaid Insurance			1,600.00
Office Supplies			200.00
Room Maintenance Supplies			850.00
Building		$ 65,000.00	
Less Accumulated Depreciation		23,400.00	41,600.00
Guest Room Furniture		$ 18,000.00	
Less Accumulated Depreciation		8,600.00	9,400.00
Office Furniture and Equipment		$ 2,800.00	
Less Accumulated Depreciation		1,600.00	1,200.00
Motel Maintenance Equipment		$ 2,600.00	
Less Accumulated Depreciation		900.00	1,700.00
Total Assets			$ 58,130.00
Liabilities			
Accounts Payable			$ 600.00
Federal Income Taxes Payable			106.50
State Income Taxes Payable			14.10
FICA Tax Payable			38.72
Sales Tax Payable			329.70
State		$ 188.40	
County		141.30	
Mortgage Payable			$ 18,000.00
Total Liabilities			$ 19,089.02
Net Worth			
K. George Hayes, Capital, January 1		$ 38,447.40	
Net Profit for January	$1,793.58		
Less, Drawings	1,200.00		
Net Increase to Capital		593.58	
K. George Hayes, Capital, January 31			39,040.98
Total Liabilities and Net Worth			$ 58,130.00

Figure 1.2
Balance Sheet
Sleepy-Time Motel

Cash Received

Room Rentals (Patrons)

Sale of Goods

Cash Paid Out

Cost of Goods for Resale to Customers

Advertising
Electric
FICA Tax
Heat
Insurance
Linen Service
Maintenance and Repairs
Miscellaneous
Office Supplies
Salaries
TV Repairs
Taxes
Telephone

Advertising
Electric
FICA Tax
Heat
Insurance
Maintenance and Repairs
Miscellaneous
Office/Store Supplies
Rent (if building is not owned)
Salaries
Telephone

Figure 1.3
Comparison of
Service Business and Trading Business

NORTH STAR APPLIANCES

INCOME STATEMENT

For the month ended January 31, 19__

Income from Sales:		
Sales		$ 6,339.00
Cost of Goods Sold:		
Merchandise Inventory, January 1	$ 3,350.00	
Purchases	3,084.00	
Goods Available for Sale	$ 6,434.00	
Less: Merchandise Inventory, January 31	2,920.00	
Cost of Goods Sold		3,514.00
Gross Profit on Sales		$ 2,825.00
Operating Expenses:		
Advertising	$ 23.50	
Electric	14.50	
FICA Tax	56.16	
Miscellaneous	12.00	
Office and Store Supplies	69.00	
Rent Expense	220.00	
Salaries	1,040.00	
Telephone	41.50	
Total Expenses		1,476.66
Net Income		$ 1,448.34

Figure 1.4
Income Statement
North Star Appliances

NORTH STAR APPLIANCES

LIST OF INVENTORY ITEMS

Household Items
- Alarm Clocks
- Blenders
- Can Openers
- Clock Radios
- Clocks
- Coffee Pots
- Crockpots
- Electric Irons
- Frypans
- Knife Sharpeners
- Mixers
  - Counter-top
  - Hand
- Steamer Cookers
- Timers
- Toaster Ovens
- Toasters
- Vacuum Cleaners

Hobby Items
- Drills
- Hot Glue Guns
- Sabre Saws
- Sanders
- Skill Saws
- Soldering Irons

Retail Supplies
- Cleaners
  - Coffee Pots
  - Electric Steam Irons
- Drills
  - Wood Bits
  - Metal Bits
- Electrical Cords (Appliance)
- Glue Pacs
- Sandpaper
- Saw Blades
- Solder
- Vacuum Cleaner Bags

Figure 1.5
List of Inventory Items
North Star Appliances

NORTH STAR APPLIANCES
INVENTORY CARD

Item Number: 74-P12

Item Name: Diamond Toaster (2-slice), Coppertone

Number to be in Inventory — Maximum: 10 — Minimum: 4

Date			Quantity Received	Unit Cost	Quantity Sold	Balance
19—						
October	15		10	12.40		10
November	5				1	9
	12				1	8
	21				2	6
December	4				1	5

Figure 1.6
Inventory Card
North Star Appliances

NORTH STAR APPLIANCES

Phone
000-8823

Northland, N.Y.

Order No. _____ Date _____

Sold to _____

_____

Quantity	Description	Amount	
	TAX		
	TOTAL		

Figure 2.1
Sales Ticket

DAILY SALES SHEET NORTH STAR APPLIANCES

Date

Quantity	Description	Item Price		Sales Tax		Total Cash	
	TOTALS FOR DAY						

Figure 2.2
Daily Sales Sheet

INVOICE No.

ANDERSEN ELECTRIC COMPANY
Clearcity, New York 12839
Telephone (518) 234-2616

Sold to
North Star Appliances
Northland
New York 12809

Invoice Date	Terms	FOB	Your Order No.	Via
Oct. 8, 19__	2/15, 1/30, n/60	Shipping Point	1032	Dean Trucking

QUANTITY	DESCRIPTION	UNIT PRICE	AMOUNT
5	Blenders K43-10	16.25	$ 81.25
10	Toasters 74-P12	12.40	124.00
4	Roaster Ovens R0631-4	20.80	83.20
	TOTAL		$ 288.45

Figure 2.3
Purchase Invoice

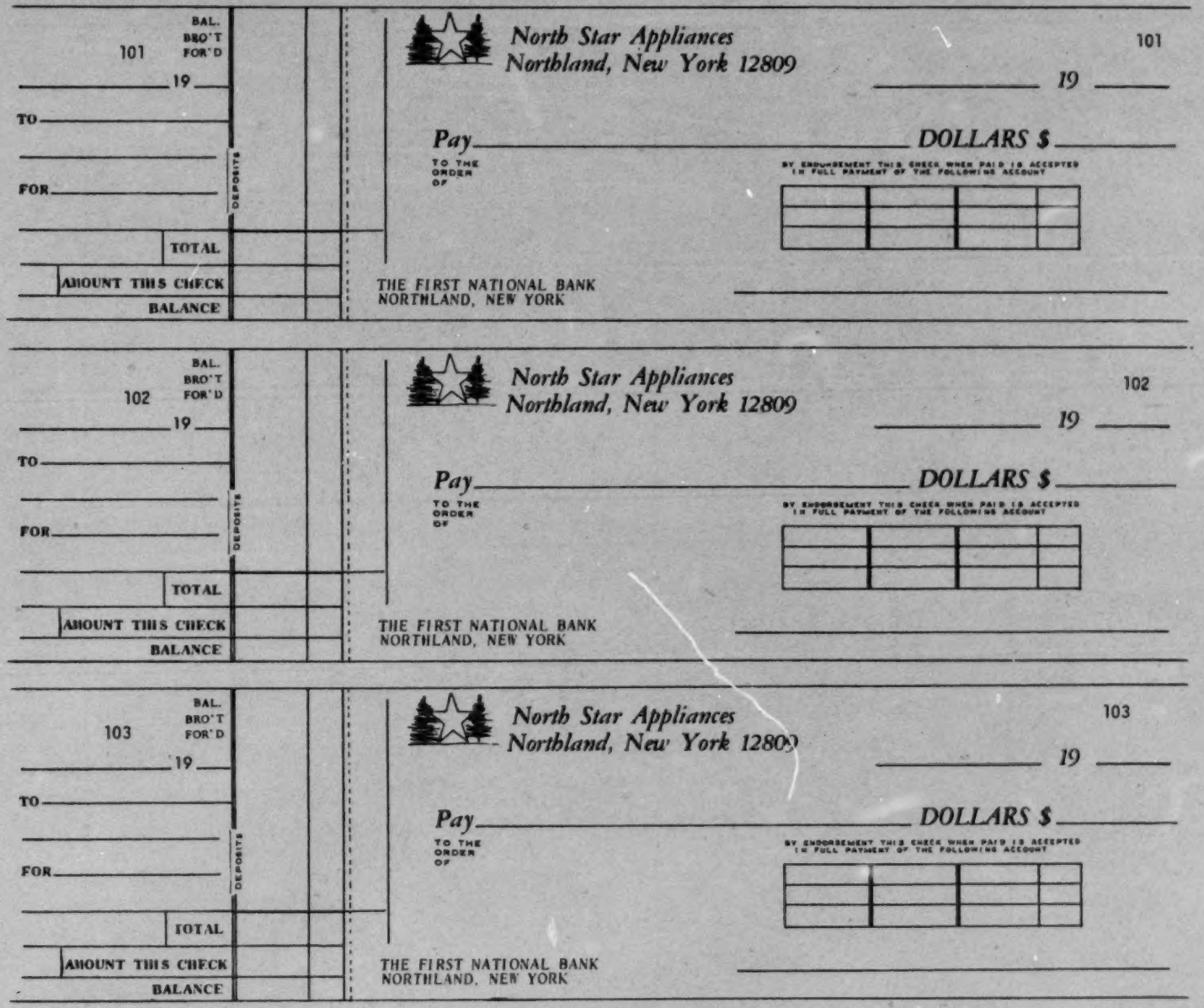

Figure 2.4
Checkbook

PETTY CASH VOUCHER

No._____ Date _____ 19 ___

Paid to _____ $ _____

For _____

Charge to _____

_____ _____

Approved Received by

Figure 2.5
Petty Cash Voucher

PETTY CASH BOOK

Page

Petty Cash Fund		Date	Explanation	Expenditures									
Received	Paid Out			Advertising		Donations		Postage		Store Supplies		Misc.	

Figure 2.6
Petty Cash Book

PETTY CASH BOOK

Page 1

Petty Cash Fund Received	Paid Out	Date	Explanation	Expenditures: Advertising	Donations	Postage	Store Supplies	Misc.
50 00		19 Oct 1	To establish Fund					
	14	3	Postage due			14		
	4 00	7	Washing windows					4 00
	4 24	8	Parcel Post charges			4 24		
	8 00	8	Donations - Heart Assoc.		8 00			
	5 00	9	Stamps			5 00		
	6 50	12	Ad in newspaper	6 50				
	3 12	14	Coffee supplies					3 12
	4 89	15	Envelopes, Pens, Tape				4 89	
50 00	35 89		Totals	6 50	8 00	9 38	4 89	7 12
	14 11	15	Cash on hand					
50 00	50 00							
14 11		15	Cash on hand					
35 89		15	To replenish fund					

Figure 2.7K
Answer Key
Petty Cash Book, October 15

PETTY CASH SUMMARY

To replenish fund
Expenditures from October 1 to October 15

Advertising Expense	$ 6.50
Donations Expense	8.00
Postage Expense	9.38
Store Supplies Expense	4.89
Miscellaneous Expense	7.12
Total Expenditures	$ 35.89
Cash on Hand	14.11
Total Petty Cash Fund	$ 50.00

Figure 2.8K
Answer Key
Petty Cash Summary, October 15

COMBINED CASH JOURNAL

Page ___

CASH		Ck.		ACCOUNT TITLE	Post	1	2	3	4	5	6	7	8	9	10	11	12
Debit	Credit	No.	Date	AND EXPLANATION	Ref.	GENERAL LEDGER Debit	GENERAL LEDGER Credit	ACCOUNTS PAYABLE Debit	ACCOUNTS PAYABLE Credit	PURCHASES Debit	SALARY EXP. Debit	FED. INC. TAX Credit	ST. INC. TAX Credit	FICA TAX Credit	PURCH. DISC. Credit	SALES TAX Credit	SALES Credit

Figure 2.9
Combined Cash Journal

NORTH STAR APPLIANCES

CHART OF ACCOUNTS (Account Balances as of November 1, 19__)

Account Title	Account Number	Account Balance Debit	Account Balance Credit
Cash	101	$ 1,700.00	$
Petty Cash	102	50.00	
Change Fund	103	50.00	
Merchandise Inventory	111	8,350.00	
Prepaid Insurance	121	360.00	
Store Supplies	131	285.00	
Store Fixtures and Equipment	141	8,800.00	
Accumulated Depreciation—Store Fixtures and Equipment	141.1		$ 1,300.00
Accounts Payable	201		810.00
Notes Payable	202		1,000.00
Federal Income Tax Payable	211		91.60
State Income Tax Payable	212		23.20
FICA Tax Payable	213		57.40
State Sales Tax Payable	214		472.00
County Sales Tax Payable	215		354.00
John G. North, Capital	301		13,500.00
John G. North, Drawing	302	9,000.00	
Income and Expense Summary	311	-	-
Sales	401		61,901.57
Purchases	501	37,080.00	
Purchases Returns and Allowances	502		272.00
Purchases Discount	503		339.93
Advertising Expense	511	854.80	
Depreciation Expense	512	-	
Donations Expense	513	110.00	
Electric Expense	514	137.70	
FICA Tax Expense	515	57.40	
Insurance Expense	516	-	
Interest Expense	517	28.00	
Miscellaneous Expense	518	78.90	
Postage Expense	519	56.00	
Rent Expense	520	2,200.00	
Salary Expense	521	10,547.90	
Store Supplies Expense	522	-	
Telephone Expense	523	376.00	

Figure 3.1
Chart of Accounts
North Star Appliances

Acct. No.

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit

Figure 3.2
General Ledger Form

NORTH STAR APPLIANCES

CASH PROOF, NOVEMBER 30, 19__

Balance, November 1, 19__	$ 1,700.00
Plus Receipts for Month	3,569.41
	$ 5,269.41
Less Payments for Month	2,997.79
Balance, November 30, 19__	$ 2,271.62

Figure 3.3K
Answer Key
Cash Proof, November 30

COMBINED CASH JOURNAL

Page ___

CASH Debit	CASH Credit	Ck. No.	Date	ACCOUNT TITLE AND EXPLANATION	Post. Ref.	1 GENERAL LEDGER Debit	GENERAL LEDGER Credit	2 3 ACCOUNTS PAYABLE Debit	ACCOUNTS PAYABLE Credit	4 PURCHASES Debit	5 SALARY EXP Debit	6 FED. INC. TAX Credit	7 ST. INC. TAX Credit	8 FICA TAX Credit	9 PURCH. DISC Credit	10 SALES TAX Credit	11 SALES Credit
			Nov 1	Cash Balance	✓												
	220 00	401	1	Rent Expense	516	220 00											
286 40			2	Cash Sales													
	31 70	402	3	Telephone Expense	513	31 70											
196 12			5	Cash Sales													
	285 57	403	6	Anderson Electric Co.				285 57									
	202 25	404	6	Payroll											2 78		
			6	F.I.C.A. Tax Expense	516	18 36					245 30	22 90	5 36	18 36			
419 94			7	Cash Sales										18 35			
285 97			10	Cash Sales													
			10	Purchases Returns & Allowances	501		21 60		21 60								
	101 32	405	12	Notes Payable	202	100 00											
				Interest Expense	517	1 33											
205 44			12	Cash Sales													
	202 36	406	13	Payroll													
			13	F.I.C.A. Tax Expense	516	18 36					245 30	22 90	5 36	18 36			
	196 00	407	14	Diamond Electric Co.				196 00						18 35			
271 78			14	Cash Sales													
			15	Anderson Electric Co.													
120 00			17	J.G. North, Capital	301		120 00		176 00	196 00							
231 70			17	Cash Sales													
	99 40	408	18	To replenish Petty Cash													
				Advertising Expense	511	19 40											
				Donations Expense	518	10 00											
				Postage Expense	519	5 00											
				Miscellaneous Expense	518	11 00											
			19	Diamond Electric Co.													
	202 25	409	20	Payroll					268 00	268 00							
			20	F.I.C.A. Tax Expense	516	18 35					245 30	22 90	5 36	18 35			
234 32			21	Cash Sales										18 36			
	21 36	410	23	Advertising Expense	511	21 36											
	500 00	411	25	J.G. North, Drawing	302	500 00											
175 92			25	Cash Sales													
	172 84	412	29	Andersen Electric Co.				172 84									
3567 41	2697 75		30	Totals		1870 44	1221 60	572 05	444 00	464 00	736 90	68 72	17 90	76 10	3 02	11 98	164 00
(101)	(101)					(✓)	(✓)	(201)	(201)	(501)	(621)	(211)	(212)	(213)	(514)	(214)	(401)

Figure 3.4K
Answer Key, Combined Cash Journal
November Transactions

Cash

Acct. No. 101

Date		Explanation	Post Ref.	Debit		Date		Explanation	Post Ref.	Credit	
19- Nov	1	Balance	✓	1700	xx	19- Nov	30		CJ	2997	79
	30		CJ	3569	41						
		2.271.62		5269	41						

Petty Cash

Acct. No. 102

Date		Explanation	Post Ref.	Debit		Date		Explanation	Post Ref.	Credit	
19- Nov	1	Balance	✓	50	00						

Change Fund

Acct. No. 103

Date		Explanation	Post Ref.	Debit		Date		Explanation	Post Ref.	Credit	
19- Nov	1	Balance	✓	50	00						

Merchandise Inventory

Acct. No. 111

Date		Explanation	Post Ref.	Debit		Date		Explanation	Post Ref.	Credit	
19- Nov.	1	Balance	✓	8350	00						

Prepaid Insurance

Acct. No. 121

Date		Explanation	Post Ref.	Debit		Date		Explanation	Post Ref.	Credit	
19- Nov.	1	Balance	✓	360	00						

Figure 3.5K1
Answer Key
General Ledger, November Transactions

Store Supplies — Acct. No. 131

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 1	Balance	✓	285 00				

Store Fixtures and Equipment — Acct. No. 141

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 1	Balance	✓	$800 00				

Accumulated Depreciation— Store Fixtures and Equipment — Acct. No. 141.1

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				19- Nov. 1	Balance	✓	1 300 00

Accounts Payable — Acct. No. 201

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 30		CJ	592 05	19- Nov. 1	Balance	✓	810 00
				30		CJ	444 00
					661.95		1 254 00

Notes Payable — Acct. No. 202

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 12		CJ	1 000 00	19- Nov 1	Balance	✓	1 000 00

Figure 3.5K2
Answer Key
General Ledger, November Transactions

Federal Income Tax Payable — Acct. No. 211

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				19- Nov. 1	Balance	✓	91 60
				30		CJ	68 70
							160 30

State Income Tax Payable — Acct. No. 212

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				19- Nov. 1	Balance	✓	23 20
				30		CJ	17 40
							40 60

FICA Tax Payable — Acct. No. 213

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				19- Nov. 1	Balance	✓	57 40
				30		CJ	86 10
							143 50

State Sales Tax Payable — Acct. No. 214

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				19- Nov. 1	Balance	✓	472 00
				30		CJ	88 58
							560 58

County Sales Tax Payable — Acct. No. 215

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				19- Nov. 1	Balance	✓	354 00
				30		CJ	66 43
							420 43

Figure 3.5K3
Answer Key
General Ledger, November Transactions

John G. North, Capital — Acct. No. 301

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 1	Balance	✓	9 000 00				
25		CJ	500 00				
			9 500 00				

John G. North, Drawing — Acct. No. 302

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit

Income and Expense Summary — Acct. No. 311

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit

Sales — Acct. No. 401

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				19- Nov. 1	Balance	✓	61 901 57
				30		CJ	2 214 40
							64 115 97

Purchases — Acct. No. 501

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 1	Balance	✓	37 080 00				
30		CJ	444 00				
			37 524 00				

Figure 3.5K4
Answer Key
General Ledger, November Transactions

Purchases Returns and Allowances — Acct. No. 502

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				19- Nov. 1	Balance	✓	272 00
				10		CJ	21 60
							293 60

Purchases Discount — Acct. No. 503

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				19- Nov. 1	Balance	✓	339 93
				30		CJ	6 40
							346 33

Advertising Expense — Acct. No. 511

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov. 1	Balance	✓	854 80				
15		CJ	14 40				
25		CJ	21 36				
			890 56				

Depreciation Expense — Acct. No. 512

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit

Donations Expense — Acct. No. 513

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov. 1	Balance	✓	110 00				
15		CJ	10 00				
			120 00				

Figure 3.5K5
Answer Key
General Ledger, November Transactions

Electric Expense — Acct. No. 514

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov. 1	Balance	✓	137 70				

FICA Tax Expense — Acct. No. 515

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 1	Balance	✓	57 40				
6		CJ	14 35				
13		CJ	14 35				
20		CJ	14 35				
			100 45				

Insurance Expense — Acct. No. 516

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit

Interest Expense — Acct. No. 517

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 1	Balance	✓	28 00				
17		CJ	13 33				
			41 33				

Miscellaneous Expense — Acct. No. 518

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 1	Balance	✓	78 90				
18		CJ	11 00				
			90 90				

Figure 3.5K
Answer Key
General Ledger, November Transactions

Postage Expense — Acct. No. 519

Date		Explanation	Post Ref.	Debit	Date		Explanation	Post Ref.	Credit
19- Nov.	1	Balance	✓	56 00					
	18		CJ	5 00					
				61 00					

Rent Expense — Acct. No. 520

Date		Explanation	Post Ref.	Debit	Date		Explanation	Post Ref.	Credit
19- Nov	1	Balance	✓	2300 00					
	1		CJ	220 00					
				2 520 00					

Salary Expense — Acct. No. 521

Date		Explanation	Post Ref.	Debit	Date		Explanation	Post Ref.	Credit
19- Nov	1	Balance	✓	10 547 90					
	30		CJ	735 90					
				11 283 80					

Store Supplies Expense — Acct. No. 522

Date		Explanation	Post Ref.	Debit	Date		Explanation	Post Ref.	Credit

Telephone Expense — Acct. No. 523

Date		Explanation	Post Ref.	Debit	Date		Explanation	Post Ref.	Credit
19- Nov.	1	Balance	✓	376 00					
	3		CJ	31 90					
				407 90					

Figure 3.5K7
Answer Key
General Ledger, November Transactions

NORTH STAR APPLIANCES

TRIAL BALANCE
November 30, 19__

Account Title	Account No.	Debit	Credit
Cash	101	$ 2,271.61	
Petty Cash	102	50.00	
Change Fund	103	50.00	
Merchandise Inventory	111	8,350.00	
Prepaid Insurance	121	360.00	
Store Supplies	131	285.00	
Store Fixtures and Equipment	141	8,800.00	
Accumulated Depreciation—Store Fixtures and Equipment	141.1		$ 1,300.00
Accounts Payable	201		661.95
Federal Income Tax Payable	211		160.30
State Income Tax Payable	212		40.60
FICA Tax Payable	213		143.50
State Sales Tax Payable	214		560.58
County Sales Tax Payable	215		420.43
John G. North, Capital	301		14,700.00
John G. North, Drawing	302	9,500.00	
Sales	401		64,115.97
Purchases	501	37,524.00	
Purchases Returns and Allowances	502		293.60
Purchases Discount	503		346.33
Advertising Expense	511	890.56	
Donations Expense	513	120.00	
Electric Expense	514	137.70	
FICA Tax Expense	515	100.45	
Interest Expense	517	41.33	
Miscellaneous Expense	518	89.90	
Postage Expense	519	61.00	
Rent Expense	520	2,420.00	
Salary Expense	521	11,283.80	
Telephone Expense	523	407.90	
Totals		$ 82,743.26	$ 82,743.26

Figure 3.6K
Answer Key
Trial Balance, November 30

COMBINED CASH JOURNAL

Page ___

CASH Debit	CASH Credit	Ck. No.	Date	ACCOUNT TITLE AND EXPLANATION	Post. Ref.	1 GENERAL LEDGER Debit	2 GENERAL LEDGER Credit	3 ACCOUNTS PAYABLE Debit	4 ACCOUNTS PAYABLE Credit	5 PURCHASES Debit	6 SALARY EXP Debit	7 FED. INC. TAX Credit	8 ST. INC. TAX Credit	9 FICA TAX Credit	10 PURCH. DISC Credit	11 SALES TAX Credit	12 SALES Credit
			Dec. 1	Cash Balance $2,271.62	✓												
	220.00	413	1	Rent Expense	521	220.00											
	39.30	414	2	Telephone Expense	523	39.30											
230.05			2	Cash Sales												15.05	215.00
			3	Andersen Electric Co.				449.00		449.00							
205.55			4	Cash Sales												13.55	192.00
			4	Purchases Returns & Allowances	514		10.90	10.90									
220.82			5	Cash Sales												14.82	206.00
	202.25	415	7	Payroll							295.30	22.30	5.80	19.35			
			7	F.I.C.A. Tax Expense	515	19.35								19.35			
310.30			8	Cash Sales												20.30	290.00
	257.10	416	9	Diamond Electric Co.				257.10									
	23.00	417	10	Advertising Expense	511	23.00											
	500.00	418	11	J.C. North, Drawing	302	500.00											
331.70			12	Cash Sales												21.70	310.00
	92.30	419	14	To replenish Petty Cash													
				Advertising Expense	511	8.00											
				Donations Expense	513	15.00											
				Postage Expense	514	7.80											
				Miscellaneous Expense	519	12.00											
	202.25	420	15	Payroll							295.30	22.30	5.80	19.35			
			15	F.I.C.A. Tax Expense	515	19.35								19.35			
353.10			15	Cash Sales												23.10	330.00
	449.00	421	16	Andersen Electric Co.				449.00							8.98		
	14.30	422	19	Electric Expense	519	14.30											
434.92			23	Cash Sales												28.92	406.00
	206.90	423	28	Skiff Electric Co.				210.90							3.10		
17.20			30	Cash Sales												1.20	16.00
2256.63	2,173.42		31	TOTALS		893.60	10.90	927.00	449.00	449.00	885.90	67.30	11.60	57.96	12.08	147.63	2,108.00
(101)	(101)					(✓)	(✓)	(201)	(201)	(501)	(521)	(214)	(212)	(213)	(405)	State 91.26 City 21.63 Sales 34.74	(401)

Figure 4.1K
Answer Key, Combined Cash Journal
December Transactions

Cash — Acct. No. 101

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 1	Balance	✓	1700 00	19- Nov 30		CJ	2997 79
30		CJ	3569 41	Dec 31		CJ	2173 42
Dec 31	2,271.00 / 3,854.41	CJ	5269 41 / 2256 63 / 7 12 78				5171 21

Petty Cash — Acct. No. 102

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 1	Balance	✓	50 00				

Change Fund — Acct. No. 103

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 1	Balance	✓	50 00				

Merchandise Inventory — Acct. No. 111

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov. 1	Balance	✓	8350 00				

Prepaid Insurance — Acct. No. 121

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 1	Balance	✓	360 00				

Figure 4.2K1
Answer Key
General Ledger, December Transactions

Store Supplies Acct. No. 131

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 1	Balance	✓	285 00				

Store Fixtures and Equipment Acct. No. 141

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov. 1	Balance	✓	8800 00				

Accumulated Depreciation
Store Fixtures and Equipment Acct. No. 141.1

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				19- Nov 1	Balance	✓	1300 00

Figure 4.2K2
Answer Key
General Ledger, December Transactions

Accounts Payable — Acct. No. 201

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 30		CJ	592 05	19- Nov 1	Balance	✓	810 00
Dec 31		CJ	927 00	30		CJ	444 00
			1519 05	Dec 31		CJ	448 00
					183.45		1703 00

Notes Payable — Acct. No. 202

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 12		CJ	1000 00	19- Nov 1	Balance	✓	1000 00

Federal Income Tax Payable — Acct. No. 211

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				19- Nov 1	Balance	✓	91 60
				30		CJ	68 70
				Dec 31		CJ	45 30
							205 10

State Income Tax Payable — Acct. No. 212

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				19- Nov 1	Balance	✓	23 20
				30		CJ	17 40
				Dec 31		CJ	11 40
							52 00

FICA Tax Payable — Acct. No. 213

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				19- Nov 1	Balance	✓	57 40
				30		CJ	86 10
				Dec 31		CJ	57 40
							200 90

Figure 4.2K3
Answer Key
General Ledger, December Transactions

State Sales Tax Payable — Acct. No. 214

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				19- Nov 1	Balance	✓	472 00
				30		CJ	88 58
				Dec 31		CJ	84 36
							644 94

County Sales Tax Payable — Acct. No. 215

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				19- Nov 1	Balance	✓	354 00
				30		CJ	66 43
				Dec 31		CJ	420 43
							483 70

John G. North, Capital — Acct. No. 301

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				19- Nov 1	Balance	✓	13 500 00
				17		CJ	1 200 00
							14 700 00

John G. North, Drawing — Acct. No. 302

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 1	Balance	✓	9 000 00				
25		CJ	500 00				
Dec 11		CJ	500 00				
			10 000 00				

Income and Expense Summary — Acct. No. 311

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit

Figure 4.2K4
Answer Key
General Ledger, December Transactions

Sales Acct. No. 401

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				19- Nov. 1	Balance	✓	61901 57
				30		CJ	2214 40
				Dec. 31		CJ	2109 00
							66224 97

Purchases Acct. No. 501

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 1	Balance	✓	37080 00				
30		CJ	444 00				
Dec 31		CJ	37524 00 449 00				
			31973 00				

Purchases Returns and Allowances Acct. No. 502

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				19- Nov 1	Balance	✓	272 00
				10		CJ	21 60
				Dec 4		CJ	293 60 10 90
							304 50

Figure 4.2K5
Answer Key
General Ledger, December Transactions

Purchases Discount — Acct. No. 503

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
				19- Nov 1	Balance	✓	339 93
				30		CJ	6 40
				Dec 31		CJ	13 05

Advertising Expense — Acct. No. 511

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
Nov 1	Balance	✓	854 80				
18		CJ	14 40				
23		CJ	21 36				
Dec 10		CJ	23 00				
14		CJ	8 00				
			921 56				

Depreciation Expense — Acct. No. 512

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit

Figure 4.2K6
Answer Key
General Ledger, December Transactions

Donations Expense — Acct. No. 513

Date		Explanation	Post Ref.	Debit		Date		Explanation	Post Ref.	Credit	
19 Nov	1	Balance	✓	110	00						
	18		CJ	10	00						
Dec	14		CJ	15	00						
				135	00						

Electric Expense — Acct. No. 514

Date		Explanation	Post Ref.	Debit		Date		Explanation	Post Ref.	Credit	
19 Nov	1	Balance	✓	137	70						
Dec	18		CJ	44	80						
				182	50						

FICA Tax Expense — Acct. No. 515

Date		Explanation	Post Ref.	Debit		Date		Explanation	Post Ref.	Credit	
19 Nov	1	Balance	✓	57	40						
	6		CJ	14	35						
	13		CJ	14	35						
	20		CJ	14	35						
				100	45						
Dec	7		CJ	14	35						
	15		CJ	14	35						
				129	15						

Figure 4.2K7
Answer Key
General Ledger, December Transactions

Insurance Expense — Acct. No. 516

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit

Interest Expense — Acct. No. 517

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 1	Balance	✓	28 00				
12		CJ	13 33				
			41 33				

Miscellaneous Expense — Acct. No. 518

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 1	Balance	✓	78 90				
18		CJ	11 00				
Dec 14		CJ	12 00				
			101 90				

Postage Expense — Acct. No. 519

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 1	Balance	✓	56 00				
18		CJ	5 00				
Dec 14		CJ	7 80				
			68 80				

Rent Expense — Acct. No. 520

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 1	Balance	✓	2200 00				
1		CJ	220 00				
Dec 1		CJ	220 00				
			2640 00				

Figure 4.2K8
Answer Key
General Ledger, December Transactions

Salary Expense — Acct. No. 521

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 1	Balance	✓	10547 90				
30		CJ	735 90				
Dec 31		CJ	" 253 80 490 60				
			" 774 40				

Store Supplies Expense — Acct. No. 522

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit

Telephone Expense — Acct. No. 523

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 1	Balance	✓	376 00				
3		CJ	31 90				
Dec 2		CJ	407 90 34 30				
			442 20				

Acct. No.

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit

Acct. No.

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit

Figure 4.2K9
Answer Key
General Ledger, December Transactions

NORTH STAR APPLIANCES

TRIAL BALANCE
December 31, 19__

Account Title	Account Number	Debit	Credit
Cash	101	$ 2,354.83	
Petty Cash	102	50.00	
Change Fund	103	50.00	
Merchandise Inventory	111	8,350.00	
Prepaid Insurance	121	360.00	
Store Supplies	131	285.00	
Store Fixtures and Equipment	141	8,800.00	
Accumulated Depreciation—Store Fixtures and Equipment	141.1		$ 1,300.00
Accounts Payable	201		183.95
Federal Income Tax Payable	211		206.10
State Income Tax Payable	212		52.20
FICA Tax Payable	213		200.90
State Sales Tax Payable	214		644.94
County Sales Tax Payable	215		483.70
John G. North, Capital	301		14,700.00
John G. North, Drawing	302	10,000.00	
Sales	401		66,224.97
Purchases	501	37,973.00	
Purchases Returns and Allowances	502		304.50
Purchases Discount	503		358.41
Advertising Expense	511	921.56	
Donations Expense	513	135.00	
Electric Expense	514	182.50	
FICA Tax Expense	515	129.15	
Interest Expense	517	41.33	
Miscellaneous Expense	518	101.90	
Postage Expense	519	68.80	
Rent Expense	520	2,640.00	
Salary Expense	521	11,774.40	
Telephone Expense	523	442.20	
Totals		$ 84,659.67	$ 84,659.67

Figure 4.3K
Answer Key
Trial Balance, December 31

WORKSHEET

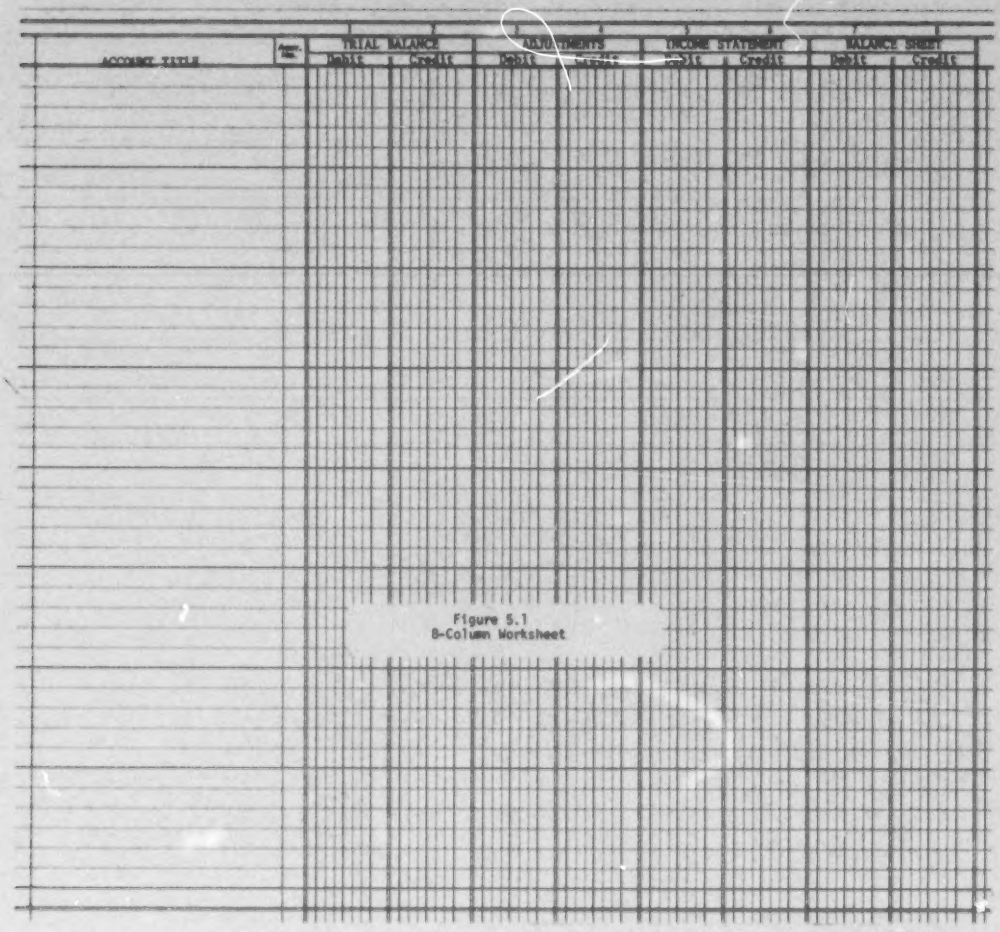

Figure 5.1
8-Column Worksheet

NORTH STAR APPLIANCES
WORKSHEET
For Year Ended December 31, 19__

ACCOUNT TITLE	Acct. No.	TRIAL BALANCE Debit	TRIAL BALANCE Credit	ADJUSTMENTS Debit	ADJUSTMENTS Credit	INCOME STATEMENT Debit	INCOME STATEMENT Credit	BALANCE SHEET Debit	BALANCE SHEET Credit
Cash	101	2,854.52						2,854.52	
Petty Cash	102	50.00						50.00	
Change Fund	103	50.00						50.00	
Merchandise Inventory	111	8,851.00		(a) 8,450.00	(a) 8,851.00			8,450.00	
Prepaid Insurance	121	360.00			(b) 174.00			186.00	
Store Supplies	131	435.00			(c) 195.00			240.00	
Store Fixtures and Equipment	141	1,800.00						1,800.00	
Accumulated Depreciation	142		1,000.00		(d) 250.00				1,250.00
Accounts Payable	201		783.52						783.52
Federal Income Tax Payable	211		296.40						296.40
State Income Tax Payable	212		52.20						52.20
F.I.C.A. Tax Payable	213		200.00						200.00
State Sales Tax Payable	214		649.84						649.84
County Sales Tax Payable	215		324.92						324.92
John C. North, Capital	301		14,736.00						14,736.00
John C. North, Drawing	302	1,800.00						1,800.00	
Sales	401		65,224.97				65,224.97		
Purchases	501	37,773.00				37,773.00			
Purchases Returns & Allowances	502		307.50				307.50		
Purchases Discount	503		358.41				358.41		
Advertising Expense	511	721.50				721.50			
Donations Expense	513	135.00				135.00			
Electric Expense	514	182.50				182.50			
F.I.C.A. Tax Expense	516	129.15				129.15			
Interest Expense	517	97.33				97.33			
Miscellaneous Expense	518	191.70				191.70			
Postage Expense	519	68.80				68.80			
Rent Expense	520	2,640.00				2,640.00			
Salary Expense	521	11,774.40				11,774.40			
Telephone Expense	523	99.20				99.20			
		64,567.57	64,567.57						
Income and Expense Summary	311			(a) 8,851.00	(a) 8,450.00	8,851.00	8,450.00		
Insurance Expense	516			(b) 174.00		174.00			
Store Supplies Expense	517			(c) 195.00		195.00			
Depreciation Expense	518			(d) 250.00		250.00			
				17,520.00	17,520.00	63,338.87	73,567.78	80,840.52	70,611.61
Net Profit						10,228.91			10,228.91
						73,567.78	73,567.78	80,840.52	80,840.52

Figure 5.2K
Answer Key,
8-Column Worksheet, December 31

NORTH STAR APPLIANCES

BALANCE SHEET
As of December 31, 19__

Assets			
Cash			$ 2,354.83
Petty Cash			50.00
Change Fund			50.00
Merchandise Inventory			8,640.00
Prepaid Insurance			186.00
Store Supplies			140.00
Store Fixtures and Equipment		$ 8,800.00	
Less Accumulated Depreciation		1,560.00	7,240.00
Total Assets			$ 18,660.83
Liabilities			
Accounts Payable			$ 183.95
Federal Income Tax Payable			206.10
State Income Tax Payable			52.20
FICA Tax Payable			200.90
State Sales Tax Payable			644.94
County Sales Tax Payable			483.70
Total Liabilities			$ 1,771.79
Owner's Equity			
John G. North, Capital, Jan. 1		$ 14,700.00	
Net Profit for the Year	$ 12,189.04		
Less, Drawings	10,000.00		
Net Increase to Capital		2,189.04	
John G. North, Capital, Dec. 31			16,889.04
Total Liabilities and Owner's Equity			$ 18,660.83

Figure 5.3K
Answer Key
Balance Sheet, December 31

NORTH STAR APPLIANCES

INCOME STATEMENT
For the Year Ended December 31, 19__

Income from Sales				
Sales				$ 66,224.97
Cost of Goods Sold:				
Merchandise Inventory, Jan. 1			$ 8,350.00	
Purchases		$ 37,973.00		
Less: Purchases Returns and Allowances	$ 304.50			
Purchases Discount	358.41	662.91		
Net Purchases			37,310.09	
Goods Available for Sale			45,660.09	
Less: Merchandise Inventory, Dec. 31			8,640.00	
Cost of Goods Sold				37,020.09
Gross Profit on Sales				$ 29,204.88
Operating Expenses				
Advertising			921.56	
Donations			135.00	
Electric			182.50	
FICA Tax			129.15	
Interest			41.33	
Miscellaneous			101.90	
Postage			68.80	
Rent			2,640.00	
Salary			11,774.40	
Telephone			442.20	
Insurance			174.00	
Store Supplies			145.00	
Depreciation			260.00	
Total Operating Expenses				17,015.84
Net Income				$ 12,189.04

Figure 5.4K
Answer Key
Income Statement

COMBINED CASH JOURNAL

Page ___

CASH Debit	CASH Credit	CK No.	Date	ACCOUNT TITLE AND EXPLANATION	Post. Ref.	1 GENERAL LEDGER Debit	2 GENERAL LEDGER Credit	3 ACCOUNTS PAYABLE Debit	4 ACCOUNTS PAYABLE Credit	5 PURCHASES Debit	6 SALARY EXP. Debit	7 FED. INC. TAX Credit	8 ST. INC. TAX Credit	9 FICA TAX Credit	10 PURCH. DISC Credit	11 SALES TAX Credit	12 SALES Credit
				ADJUSTING ENTRIES													
			Dec. 31	(a) Income and Expense Summary	311	8350.00											
				Merchandise Inventory	111		8350.00										
			31	(b) Merchandise Inventory	111	8440.00											
				Income and Expense Summary	311		8440.00										
			31	(c) Insurance Expense	516	179.00											
				Prepaid Insurance	128		179.00										
			31	(d) Store Supplies Expense	528	195.00											
				Store Supplies	131		195.00										
			31	(e) Depreciation Expense	512	260.00											
				Accumulated Depreciation	141.1		260.00										
				CLOSING ENTRIES													
			31	Sales	401	66224.97											
				Purchases Returns & Allowances	502	309.50											
				Purchases Discount	503	353.44											
				Income and Expense Summary	311		66887.81										
			31	Income and Expense Summary	311	54788.24											
				Purchases	501		37973.00										
				Advertising Expense	511		721.56										
				Donations Expense	513		135.00										
				Electric Expense	514		182.50										
				F.I.C.A. Tax Expense	515		129.15										
				Interest Expense	517		41.33										
				Miscellaneous Expense	518		101.90										
				Postage Expense	519		68.80										
				Rent Expense	520		2640.00										
				Salary Expense	521		11774.40										
				Telephone Expense	523		942.70										
				Insurance Expense	516		179.00										
				Store Supplies Expense	528		195.00										
				Depreciation Expense	512		260.00										
			31	Income and Expense Summary	311	12178.04											
				J. C. North, Drawing	302		12178.04										
			31	J. C. North, Drawing	302	2178.04											
				J. C. North, Capital	301		2178.04										

Figure 6.1K
Answer Key
Adjusting Entries and Closing Entries

Cash Acct. No. 101

Date		Explanation	Post Ref.	Debit	Date		Explanation	Post Ref.	Credit
19-Nov	1	Balance	✓	1700 00	19-Nov	30		CJ	2997 79
	30		CJ	3569 41	Dec	31		CJ	2173 62
Dec	31	2,291.62	CJ	2256 63		31	Balance	✓	2354 83
		2,354.83		7526 04					7526 04
19-Jan	1	Balance	✓	2354 83					

Petty Cash Acct. No. 102

Date		Explanation	Post Ref.	Debit	Date		Explanation	Post Ref.	Credit
19-Nov	1	Balance	✓	50 00					

Change Fund Acct. No. 103

Date		Explanation	Post Ref.	Debit	Date		Explanation	Post Ref.	Credit
19-Nov	1	Balance	✓	50 00					

Figure 6.2K1
Answer Key
General Ledger, Closed (Balanced and Ruled)

Merchandise Inventory — Acct. No. 111

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 1	Balance	✓	8350 00	Dec 31	Adjusting Entry	CJ	8350 00
Dec 31	Adjusting Entry	CJ	8640 00	31	Balance	✓	8640 00
			16990 00				16990 00
19- Jan 1	Balance	✓	8640 00				

Prepaid Insurance — Acct. No. 121

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 1	Balance	✓	360 00	19- Dec 31	Adjusting Entry	CJ	174 00
				31	Balance	✓	186 00
			360 00				360 00
19- Jan 1	Balance	✓	186 00				

Store Supplies — Acct. No. 131

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 1	Balance	✓	285 00	19- Dec 31	Adjusting Entry	CJ	145 00
				31	Balance	✓	140 00
			285 00				285 00
19- Jan 1	Balance	✓	140 00				

Store Fixtures and Equipment — Acct. No. 141

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 1	Balance	✓	8800 00				

Accumulated Depreciation, Store Fixtures and Equipment — Acct. No. 141.1

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Dec 31	Balance	✓	1560 00	19- Nov 1	Balance	✓	1300 00
				Dec 31	Adjusting Entry	CJ	260 00
			1560 00				1560 00
				19- Jan 1	Balance	✓	1560 00

Figure 6.2K2
Answer Key
Gneral Ledger, Closed (Balanced and Ruled)

Accounts Payable — Acct. No. 201

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 30		CJ	592 05	19- Nov 1	Balance	✓	810 00
Dec 31		CJ	927 00	30		CJ	447 00
31	Balance	✓	183 95	Dec 31	661.95 / 183.95	CJ	449 00
			1703 00				1703 00
				19- Jan 1	Balance	✓	183 95

Notes Payable — Acct. No. 202

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 12		CJ	1000 00	19- Nov 1	Balance	✓	1000 00

Federal Income Tax Payable — Acct. No. 211

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Dec 31	Balance	✓	206 10	19- Nov 1	Balance	✓	91 60
				30		CJ	68 70
				Dec 31		CJ	45 80
			206 10				206 10
				19- Jan 1	Balance	✓	206 10

Figure 6.2K3
Answer Key
General Ledger, Closed (Balanced and Ruled)

State Income Tax Payable — Acct. No. 212

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19-- Dec. 31	Balance	✓	52 20	19-- Nov. 1	Balance	✓	23 20
				30		CJ	17 40
				Dec. 31		CJ	11 40
			52 20				52 20
				19-- Jan. 1	Balance	✓	52 20

FICA Tax Payable — Acct. No. 213

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19-- Dec. 31	Balance	✓	200 90	19-- Nov. 1	Balance	✓	57 40
				30		CJ	86 10
				Dec. 31		CJ	57 40
			200 90				200 90
				19-- Jan. 1	Balance	✓	200 90

State Sales Tax Payable — Acct. No. 214

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19-- Dec. 31	Balance	✓	644 94	19-- Nov. 1	Balance	✓	472 00
				30		CJ	88 58
				Dec. 31		CJ	84 36
			644 94				644 94
				19-- Jan. 1	Balance	✓	644 94

Figure 6.2K4
Answer Key
General Ledger, Closed (Balanced and Ruled)

County Sales Tax Payable — Acct. No. 215

Date		Explanation	Post Ref.	Debit		Date		Explanation	Post Ref.	Credit	
19- Dec	31	Balance	✓	483	70	19- Nov	1	Balance	✓	354	00
							30		CJ	66	43
						Dec	31		CJ	63	27
				483	70					483	70
						19- Jan	1	Balance	✓	483	70

John G. North, Capital — Acct. No. 301

Date		Explanation	Post Ref.	Debit		Date		Explanation	Post Ref.	Credit	
19- Dec	31	Balance	✓	16859	04	19- Nov	1	Balance	✓	13500	00
							17		CJ	1200	00
						Dec	31	Closing (Net increase)	CJ	2189	04
				16889	04					16889	04
						Jan	1	Balance	✓	16889	04

John G. North, Drawing — Acct. No. 302

Date		Explanation	Post Ref.	Debit		Date		Explanation	Post Ref.	Credit	
19- Nov	1	Balance	✓	9000	00	19- Dec	31	Closing (Net Profit)	CJ	12189	04
	25		CJ	500	00						
Dec	11		CJ	500	00						
	31	Closing (To Capital)	CJ	2189	04						
				12189	04					12189	04

Figure 6.2K5
Answer Key
General Ledger, Closed (Balanced and Ruled)

Income and Expense Summary — Acct. No. 311

Date		Explanation	Post Ref.	Debit		Date		Explanation	Post Ref.	Credit	
19- Dec	31	Beg. Mdse. Inventory	CJ	8350	00	Dec	31	Ending Mdse. Inventory	CJ	8640	00
	31	Expenses	CJ	54988	84		31	Income		66887	88
	31	Net Profit (Drawing)	CJ	12189	04					75527	88
				75527	88						

Sales — Acct. No. 401

Date		Explanation	Post Ref.	Debit		Date		Explanation	Post Ref.	Credit	
19- Dec	31	To I & E Summary	CJ	66224	97	19- Nov	1	Balance	✓	61901	57
							30		CJ	2214	40
						Dec	31		CJ	2109	00
				66224	97					66224	97

Purchases — Acct. No. 501

Date		Explanation	Post Ref.	Debit		Date		Explanation	Post Ref.	Credit	
19- Nov	1	Balance	✓	31080	00	19- Dec	31	To I & E. Summary	CJ	37973	00
	30		CJ	444	00						
Dec	31		CJ	449	00						
				37973	00					37973	00

Purchases Returns and Allowances — Acct. No. 502

Date		Explanation	Post Ref.	Debit		Date		Explanation	Post Ref.	Credit	
19- Dec	31	To I & E Summary	CJ	304	50	19- Nov	1	Balance	✓	272	00
							10		CJ	21	60
						Dec	4		CJ	10	90
				304	50					304	50

Purchases Discounts — Acct. No. 503

Date		Explanation	Post Ref.	Debit		Date		Explanation	Post Ref.	Credit	
19- Dec	31	To I & E. Summary	CJ	358	41	19- Nov	1	Balance	✓	339	93
							30		CJ	6	40
						Dec	31		CJ	12	08
				358	41					358	41

Figure 6.2K6
Answer Key
General Ledger, Closed (Balanced and Ruled)

Advertising Expense — Acct. No. 511

Date		Explanation	Post Ref.	Debit		Date		Explanation	Post Ref.	Credit	
19- Nov	1	Balance	✓	854	80	19- Dec	31	To I & E. Summary	CJ	921	56
	18		CJ	14	40						
	23		CJ	21	36						
Dec	10		CJ	33	00						
	14		CJ	8	00						
				921	56					921	56

Depreciation Expense — Acct. No. 512

Date		Explanation	Post Ref.	Debit		Date		Explanation	Post Ref.	Credit	
19- Dec	31	Adjusting Entry	CJ	260	00	19- Dec	31	To I & E. Summary	CJ	260	00

Donations Expense — Acct. No. 513

Date		Explanation	Post Ref.	Debit		Date		Explanation	Post Ref.	Credit	
19- Nov	1	Balance	✓	110	00	19- Dec	31	To I & E. Summary	CJ	135	00
	18		CJ	10	00						
Dec	14		CJ	15	00						
				135	00					135	00

Figure 6.2K7
Answer Key
General Ledger, Closed (Balanced and Ruled)

Electric Expense — Acct. No. 514

Date		Explanation	Post Ref.	Debit		Date		Explanation	Post Ref.	Credit	
19-Nov	1	Balance	✓	137	70	19-Dec	31	To I. & E. Summary	CJ	182	50
Dec	18		CJ	44	80						
				182	50					182	50

FICA Tax Expense — Acct. No. 515

Date		Explanation	Post Ref.	Debit		Date		Explanation	Post Ref.	Credit	
19-Nov	1	Balance	✓	57	40	19-Dec	31	To I. & E. Summary	CJ	129	15
	6		CJ	14	35						
	13		CJ	14	35						
	20		CJ	14	35						
Dec	7		CJ	14	35						
	15		CJ	14	35						
				129	15					129	15

Insurance Expense — Acct. No. 516

Date		Explanation	Post Ref.	Debit		Date		Explanation	Post Ref.	Credit	
19-Dec	31	Adjusting Entry	CJ	174	00	19-Dec	31	To I & E. Summary	CJ	174	00

Figure 6.2K8
Answer Key
General Ledger, Closed (Balanced and Ruled)

Interest Expense — Acct. No. 517

Date		Explanation	Post Ref.	Debit	Date		Explanation	Post Ref.	Credit
19- Nov	1	Balance	✓	28 00	19- Dec	31	To I. & E. Summary	CJ	41 33
	12		CJ	13 33					
				41 33					41 33

Miscellaneous Expense — Acct. No. 518

Date		Explanation	Post Ref.	Debit	Date		Explanation	Post Ref.	Credit
19- Nov	1	Balance	✓	78 90	19- Dec	31	To I & E. Summary	CJ	101 90
	18		CJ	11 00					
Dec	14		CJ	12 00					
				101 90					101 90

Postage Expense — Acct. No. 519

Date		Explanation	Post Ref.	Debit	Date		Explanation	Post Ref.	Credit
19- Nov	1	Balance	✓	56 00	19- Dec	31	To I. & E. Summary	CJ	68 80
	18		CJ	5 00					
Dec	14		CJ	7 80					
				68 80					68 80

Rent Expense — Acct. No. 520

Date		Explanation	Post Ref.	Debit	Date		Explanation	Post Ref.	Credit
19- Nov	1	Balance	✓	2200 00	19- Dec	31	To I & E Summary	CJ	2640 00
	1		CJ	220 00					
Dec	1		CJ	220 00					
				2640 00					2640 00

Salary Expense — Acct. No. 521

Date		Explanation	Post Ref.	Debit	Date		Explanation	Post Ref.	Credit
19- Nov	1	Balance	✓	10 547 90	19- Dec	31	To I & E. Summary	CJ	11 774 40
	30		CJ	735 90					
Dec	31		CJ	490 60					
				11 774 40					11 774 40

Figure 6.2K9
Answer Key
General Ledger, Closed (Balanced and Ruled)

Store Supplies Expense Acct. No. 522

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Dec 31	Adjusting Entry	CJ	145 00	19- Dec 31	To I & E. Summary	CJ	145 00

Telephone Expense Acct. No. 523

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit
19- Nov 1	Balance	✓	376 00	19- Dec 31	To I & E. Summary	CJ	442 20
3		CJ	31 90				
Dec 2		CJ	34 30				
			442 20				442 20

Acct. No.

Date	Explanation	Post Ref.	Debit	Date	Explanation	Post Ref.	Credit

Figure 6.2K10
Answer Key
General Ledger, Closed (Balanced and Ruled)

NORTH STAR APPLIANCES

POST-CLOSING TRIAL BALANCE

January 1, 19__

Account Title	Account No.	Debit	Credit
Cash	101	$ 2,354.83	
Petty Cash	102	50.00	
Change Fund	103	50.00	
Merchanidse Inventory	111	8,640.00	
Prepaid Insurance	121	186.00	
Store Supplies	131	140.00	
Store Fixtures and Equipment	141	8,800.00	
Accumulated Depreciation—Store Fixtures and Equipment	141.1		$ 1,560.00
Accounts Payable	201		183.95
Federal Income Tax Payable	211		206.10
State Income Tax Payable	212		52.20
FICA Tax Payable	213		200.90
State Sales Tax Payable	214		644.94
County Sales Tax Payable	215		483.70
John G. North, Capital	301		16,889.04
Totals		$ 20,220.83	$ 20,220.83

Figure 6.3K
Answer Key
Post-Closing Trial Balance

APPENDIX B
SNO SHACK
PRACTICAL APPLICATION PROBLEM, SMALL TRADING BUSINESS

BACKGROUND OF THE PROBLEM

You are the bookkeeper for SNO SHACK, a specialty store selling outdoor wear. SNO SHACK deals exclusively in the sale of snowmobile outfits, ski wear, and camping and hiking wear. This includes footwear, thermal undergarments, and an exclusive line of outerwear.

SNO SHACK has five employees including the bookkeeper. It is a sole proprietorship, owned by Jonathan Logan, a retired trail guide.

The store is located in a small community 25 miles from a large metropolitan area. All sales are on a cash basis; no credit of any kind is permitted.

The business records consist of a Combined Cash Journal and a General Ledger. This problem includes selected transactions for the month of December, the end-of-the-month summary, and the year-end closing. Specific instructions are included with each segment of the problem.

SNO SHACK
December Transactions

Journalize the following transactions in a Combined Cash Journal.

Dec. 1. Beginning cash balance $9,400.00

2. Cash sales $982.33 (Sales $918.00; Sales tax $64.33)

3. Received Bank Statement from the bank as of November 30, 19__ showing the following:
   - Bank Statement balance $9,670.00
   - Deposit recorded in Checkbook but not shown on the Bank Statement (November 28) $2,600.00
   - Checks outstanding: No. 671, $540.00; No. 683, $1,410.00; No. 684, $661.00; No. 685. $63.80; No. 686, $112.60; No. 687, $53.00; No. 688, $27.50; No. 689, $21.00
   - Charge made by bank, printing special checks for SNO SHACK, $18.90
   - Prepare a Bank Reconciliation Statement. (See pages 21, 22, and 71 of Part I, *Small Business Bookkeeping*, if necessary.) Make any necessary adjustments to the Cash Account.

3. Issued check No. 690 to pay the December rent of $450.00

3. Cash sales $714.76 (Sales $668.00; Sales tax $46.76)

4. Issued check No. 691 to pay the electric bill of $73.00

4. Issued check No. 692 for $190.00 to pay for advertising on local television station

4. Issued check No. 693 for $1,020.00 to pay a 90-day note for $1,000.00, plus interest of $20.00, due today

5. Cash sales $1,121.36 (Sales $1,048.00; Sales tax $73.36)

6. Issued check No. 694 for cash payroll in amount of $573.35
Distribution for recording:

Salary expense	$760.00
Federal income tax	117.20
State income tax	25.00
FICA tax	44.45

6. Record employer's FICA tax expense $44.45
7. Cash sales $2,075.80 (Sales $1,940.00; Sales tax $135.80)
7. Issued check No. 695 for $3,360.00 to N.Y.S. Department of Taxation and Finance to remit State and County sales taxes collected for period September 1 through November 30. Form ST-100 due December 20.
9. Issued check No. 696 to replenish Petty Cash for $38.20
The following information is given on the request slip:

Donations Expense		$10.00
Miscellaneous Expense		28.20
Cleaning supplies	$ 4.20	
Snow removal	15.00	
Employee Coffee Supplies	9.00	

10. Cash Sales $1,348.20 (Sales $1,260.00; Sales tax $88.20)
10. Issued check No. 697 for insurance policy on plate glass windows for one year $96.00
11. Issued check No. 698 to pay Kings Sportswear purchase invoice dated November 29, terms 2/15, n/30, total invoice amount $2,300.00
11. Cash sales $1,455.20 (Sales $1,360.00; Sales tax $95.20)
12. Issued check No. 699 for $50.00 to Aaron Community College for ad in their yearbook
12. Purchased $1,840.00 worth of merchandise from Northern Woolens on account
13. Cash sales $1,858.59 (Sales $1,737.00; Sales tax $121.59)
13. Issued check No. 700 for cash payroll in the amount of $573.35
Distribution for recording:

Salary expense	$760.00
Federal income tax	117.20
State income tax	25.00
FICA tax	44.45

13. Record employer's FICA tax expense $44.45
14. Cash sales $1,305.40 (Sales $1,200.00; Sales tax $85.40)
16. Mr. Logan has asked you to tell him the balance of cash on hand. Prepare a cash proof. (See Figure 3.4K for form, if necessary.)
16. Issued check No. 701 for $84.00 to pay the telephone bill
17. Cash sales $2,326.18 (Sales $2,174.00; Sales tax $152.18)
17. Issued check No. 702 for $1,296.00 for a new cash register
18. Issued check No. 703 for $100.00, a donation to the local Youth Canteen (annual drive)
19. Cash sales $2,514.50 (Sales $2,350.00; Sales tax $164.50)
19. Purchased $637.00 worth of merchandise from Easy-Flex Boot Company on account
20. Issued check No. 704 for $1,200.00 to Jonathan Logan for personal use
20. Issued check No. 705 to Northern Woolens to pay their invoice dated Nov. 11, terms 2/10, n/30, total invoice amount $1,840.00
20. Issued check No. 706 for cash payroll in amount of $573.35
Distribution for recording:

Salary expense	$760.00
Federal income tax	117.20
State income tax	25.00
FICA tax	44.45

20. Record employer's FICA tax expense of $44.45.
23. Cash sales $3,531.00 (Sales $3,300.00; Sales tax $231.00)
24. Issued check No. 707 for $78.00 to Tecco, Inc. for special holiday decorations (Charge Miscellaneous Expense.)
24. Cash sales $1,205.89 (Sales $1,127.00; Sales tax $78.89)
(Store closed Dec. 25 and 26)
27. Issued check No. 708 for cash payroll in amount of $573.35
Distribution for recording:

Salary expense	$760.00
Federal income tax	117.20
State income tax	25.00
FICA tax	44.45

27. Record employer's FICA tax expense of $44.45.
28. Cash sales $500.76 (Sales $468.00; Sales tax $32.76)
30. Cash sales $793.94 (Sales $742.00; Sales tax $51.94)
(Store closed Dec. 31 for physical inventory)

INSTRUCTIONS:
1. Total and rule the Combined Cash Journal for the month of December. Prepare a cash proof. Checkbook Dec. 31 shows a balance of cash of $16,729.21.
2. Open the General Ledger accounts using SNO SHACK Chart of Accounts with balances as of November 30.
3. Post December transactions from the Combined Cash Journal to the General Ledger.
4. Foot the General Ledger accounts and compute account balances.
5. Enter the trial balance for December 31 on an 8-column Worksheet. The trial balance must be in balance before continuing.

Adjustments needed to complete the Worksheet for SNO SHACK for December 31 are as follows:
1. Physical count and pricing of the merchandise on hand shows a balance of $26,050.00 in Merchandise Inventory.
2. The portion of prepaid insurance that has expired is $740.00.
3. Physical count and pricing of store supplies shows a total of $325.00 on hand.
4. Depreciation expense on store fixtures and equipment for the year is $850.00. (Refer to Lesson 5 for review of Worksheet preparation, if necessary.)

From the completed Worksheet:
1. Prepare a Balance Sheet as of December 31, 19__ for SNO SHACK.
2. Prepare an Income Statement for the year ended December 31, 19__ for SNO SHACK.
3. Journalize the adjusting and closing entries in the Combined Cash Journal.
4. Post the adjusting and closing entries to the General Ledger.
5. Balance and rule the General Ledger accounts for the end of the year.
6. Prepare a post-closing trial balance as of January 1, 19__.

Note:
This practical application problem can be used by the instructor for class work or as a supplementary assignment. The illustrations and answer keys which appear in the following pages contain all the information needed to verify solutions submitted by students.

The illustrations are:

Figure

B.1K Answer Key, Bank Reconciliation Statement
B.2K Answer Key, Cash Balance, December 16
B.3K Answer Key, Combined Cash Journal, December Transactions
B.4 Chart of Accounts (November 30 Balances)

B.5K Answer Key, Cash Proof, December 31
B.6K Answer Key, Worksheet for Year Ended December 31
B.7K Answer Key, Balance Sheet, December 31
B.8K Answer Key, Income Statement for Year Ended December 31

B.9K Answer Key, Combined Cash Journal Adjusting and Closing Entries
B.10K Answer Key, Post-Closing Trial Balance as of January 1

SNO SHACK

BANK RECONCILIATION STATEMENT
November 30, 19__

Checkbook balance	$9,400.00	Bank Statement balance		$ 9,670.00
		Plus:		
		Deposit in transit		2,600.00
				$12,270.00
Less:				
Charge for special check printing	18.90	Less:		
		Outstanding checks		
		671	$ 540.00	
		683	1,410.00	
		684	661.00	
		685	63.80	
		686	112.60	
		687	53.00	
		688	27.50	
		689	21.00	2,888.90
AVAILABLE FUNDS	$ 9,381.10	ADJUSTED BANK BALANCE		$ 9,381.10

Figure B.1K
Answer Key
Bank Reconciliation Statement

SNO SHACK

CASH BALANCE, December 16, 19__

Beginning Balance	$ 9,400.00
Cash receipts to date	10,861.64
	$20,261.64
Payments to date	8,696.80
Balance, December 16	$11,564.84

Figure B.2K
Answer Key
Cash Balance, December 16

COMBINED CASH JOURNAL

Page ___

CASH Debit	CASH Credit	Ck. No.	Date	ACCOUNT TITLE AND EXPLANATION	PR.	1 GENERAL LEDGER Debit	1 GENERAL LEDGER Credit	2 ACCOUNTS PAYABLE Debit	2 ACCOUNTS PAYABLE Credit	3 PURCHASES Debit	4 SALARY EXP Debit	5 FED. INC. TAX Credit	6 ST. INC. TAX Credit	7 FICA TAX Credit	8 PURCH. DISC. Credit	9 SALES TAX Credit	10 SALES Credit
			Dec. 1	Cash Balance $9,400.00	✓												
9235			2	Cash Sales												69 20	719 00
	18 90	✓	3	Miscellaneous Expense	519	18 90											
	450 00	690	3	Rent Expense	516	450 00											
714 76			3	Cash Sales												35 18	667 58
	73 00	691	4	Electric Expense	514	73 00											
	190 00	692	4	Advertising Expense	511	190 00											
	1020 00	693	4	Notes Payable	203	1000 00											
				Interest Expense	517	20 00											
1121 36			5	Cash Sales												73 86	1048 00
	573 35	694	6	Payroll							760 00	117 20	28 00	99 15			
			6	F.I.C.A. Tax Expense	516	99 15								99 15			
2075 80			7	Cash Sales												136 78	1939 02
	3360 00	695	7	State Sales Tax Payable	214		1820 00										
				County Sales Tax Payable	215		1540 00										
	38 20	696	9	To replenish Petty Cash													
				Donations Expense	513	10 00											
				Miscellaneous Expense	519	28 20											
1348 20			10	Cash Sales												88 40	1259 80
	96 00	697	10	Prepaid Insurance	131	96 00											
	2254 00	698	11	King's Sportswear				2300 00							46 00		
1455 20			11	Cash Sales												95 20	1360 00
	50 00	699	12	Advertising Expense	511	50 00											
			12	Northern Woolens					1840 00	1380 00							
1852 53			13	Cash Sales												121 53	1731 00
	573 35	700	13	Payroll							760 00	117 20	28 00	99 15			
			13	F.I.C.A. Tax Expense	516	99 15								99 15			
1305 40			14	Cash Sales												85 46	1220 00
	38 00	701	16	Telephone Expense	528	38 00											
2326 18			17	Cash Sales												152 18	2174 00
	1296 00	702	17	Store Fixtures and Equipment	141	1296 00											
	100 00	703	18	Donations Expense	513	100 00											
2814 50			19	Cash Sales												184 50	2630 00
			19	Easy-Flex Boot Co.					637 00	637 00							
	1296 00	704	20	Jonathan Logan, Drawing	312	1296 00											
15702 32	11376 80		20	Totals Carried Forward	✓	8966 00	—	2300 00	2477 00	2777 00	1520 00	234 40	56 00	1777 80	46 00	1283 78	17678 00

Figure B.3K)
Answer Key, Combined Cash Journal
December Transactions

68

COMBINED CASH JOURNAL

Page

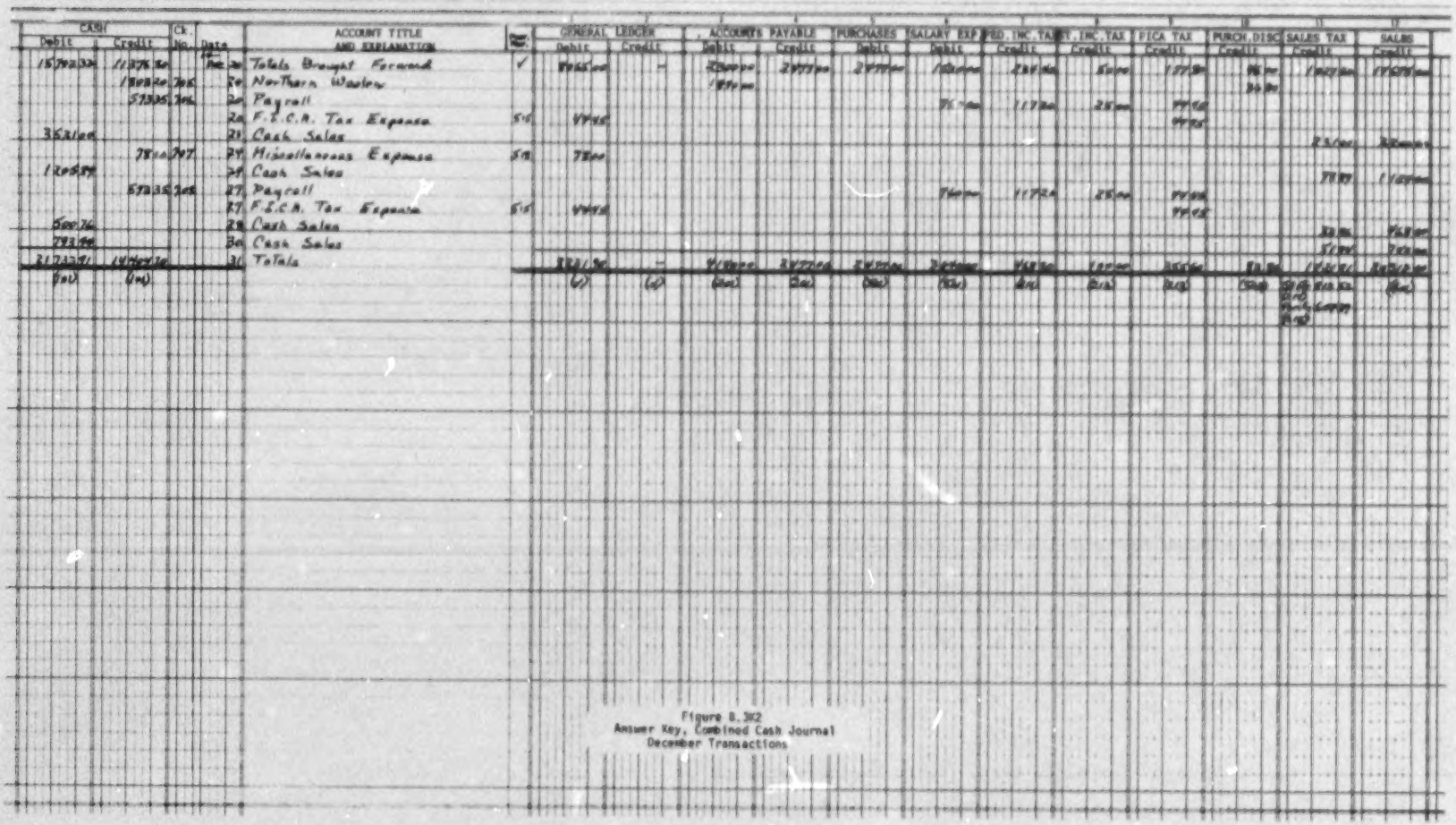

Figure 8.3K2
Answer Key, Combined Cash Journal
December Transactions

SNO SHACK

CHART OF ACCOUNTS (Account Balances as of November 30, 19__)

Account Title	Account Number	Account Balance Debit	Account Balance Credit
Cash	101	$ 9,400.00	
Petty Cash	102	50.00	
Change Fund	103	150.00	
Merchandise Inventory	111	27,250.00	
Prepaid Insurance	121	1,100.00	
Store Supplies	131	775.00	
Store Fixtures and Equipment	141	9,000.00	
Accumulated Depreciation—Store Fixtures and Equipment	141.1		$ 3,500.00
Accounts Payable	201		2,300.00
Notes Payable	202		1,000.00
Federal Income Tax Payable	211		1,007.92
State Income Tax Payable	212		215.00
FICA Tax Payable	213		764.56
State Sales Tax Payable	214		1,920.00
County Sales Tax Payable	215		1,440.00
Jonathan Logan, Capital	301		28,100.18
Jonathan Logan, Drawing	302	13,200.00	
Income and Expense Summary	311		
Sales	401		186,000.00
Purchases	501	126,500.00	
Purchases Returns and Allowances	502		1,100.00
Purchases Discount	503		1,720.00
Advertising Expense	511	1,900.00	
Depreciation Expense	512		
Donations Expense	513	700.00	
Electric Expense	514	600.00	
FICA Tax Expense	515	1,752.66	
Insurance Expense	516		
Interest Expense	517	210.00	
Miscellaneous Expense	518	370.00	
Postage Expense	519	630.00	
Rent Expense	520	4,950.00	
Salary Expense	521	29,960.00	
Store Supplies Expense	522		
Telephone Expense	523	570.00	
Totals		$229,067.66	$229,067.66

Figure B.4
Chart of Accounts

SNO SHACK

CASH PROOF, December 31, 19__

Beginning Balance, December 1	$ 9,400.00
Cash Receipts for Month	21,733.91
	$ 31,133.91
Cash Payments for Month	14,404.70
Cash Balance, December 31	$ 16,729.21

Figure B.5K
Answer Key
Cash Proof, December 31

SKI SHACK
WORKSHEET
For Year Ended December 31__

ACCOUNT TITLE	Acct. No.	TRIAL BALANCE Debit	TRIAL BALANCE Credit	ADJUSTMENTS Debit	ADJUSTMENTS Credit	INCOME STATEMENT Debit	INCOME STATEMENT Credit	BALANCE SHEET Debit	BALANCE SHEET Credit
Cash	101	16,782.71						16,782.71	
Petty Cash	102	50.00						50.00	
Change Fund	103	150.00						150.00	
Merchandise Inventory	111	27,236.00		(a) 26,450.00	(a) 27,236.00			26,450.00	
Prepaid Insurance	121	1,776.00			(b) 774.00			1,002.00	
Store Supplies	131	774.00			(c) 442.00			332.00	
Store Fixtures and Equipment	141	10,276.00						10,276.00	
Accumulated Depreciation	142		2,540.00		(d) 635.00				3,175.00
Accounts Payable	201		637.00						637.00
Federal Income Tax Payable	211		1,977.72						1,977.72
State Income Tax Payable	212		315.00						315.00
F.I.C.A. Tax Payable	213		1,120.16						1,120.16
State Sales Tax Payable	214		812.50						812.50
County Sales Tax Payable	215		609.37						609.37
Jonathan Logan, Capital	301		28,602.13						28,602.13
Jonathan Logan, Drawing	302	19,400.00						19,400.00	
Sales	401		246,312.00				246,312.00		
Purchases	501	128,577.00				128,577.00			
Purchases Returns & Allowances	502		1,200.00				1,200.00		
Purchases Discount	503		1,852.30				1,852.30		
Advertising Expense	511	2,190.00				2,190.00			
Donations Expense	512	810.00				810.00			
Electric Expense	513	623.00				623.00			
F.I.C.A. Tax Expense	514	1,120.16				1,120.16			
Interest Expense	517	238.00				238.00			
Miscellaneous Expense	518	785.10				785.10			
Postage Expense	519	430.00				430.00			
Rent Expense	520	5,940.00				5,940.00			
Salary Expense	521	33,840.00				33,840.00			
Telephone Expense	522	657.00				657.00			
		246,577.77	246,577.77						
Income and Expense Summary	303			(a) 27,236.00	(a) 26,450.00	27,236.00	26,450.00		
Depreciation Expense	515			(d) 635.00		635.00			
Insurance Expense	516			(b) 774.00		774.00			
Store Supplies Expense	523			(c) 442.00		442.00			
				55,527.00	55,527.00	252,512.26	248,762.30	68,995.21	37,995.17
Net Profit						7,165.04			31,000.04
						252,512.26	248,762.30	68,995.21	68,995.21

Figure 8.6K
Answer Key,
Worksheet for Year Ended December 31

SNO SHACK

BALANCE SHEET
As of December 31, 19__

Assets			
Cash			$ 16,729.21
Petty Cash			50.00
Change Fund			150.00
Merchandise Inventory			26,050.00
Prepaid Insurance			456.00
Store Supplies			325.00
Store Fixtures and Equipment		$ 10,296.00	
Less Accumulated Depreciation		4,350.00	5,946.00
Total Assets			$ 49,706.21
Liabilities			
Accounts Payable			$ 637.00
Federal Income Tax Payable			1,476.72
State Income Tax Payable			315.00
FICA Tax Payable			1,120.16
State Sales Tax Payable			812.52
County Sales Tax Payable			609.39
Total Liabilities			$ 4,970.79
Owner's Equity			
Jonathan Logan, Capital, January 1		$ 28,100.18	
Net Profit for Year	$ 21,035.24		
Less, Drawings	14,400.00	16,635.24	
Jonathan Logan, Capital, December 31			44,735.42
Total Liabilities and Owner's Equity			$ 49,706.21

Figure B.7K
Answer Key
Balance Sheet, December 31

SNO SHACK

INCOME STATEMENT
For the Year Ended December 31, 19__

Income from Sales:				
Sales				$206,312.00
Cost of Goods Sold:				
Merchandise Inventory, Jan. 1			$ 27,250.00	
Purchases		$128,977.00		
Less: Purchases Returns and Allowances	$1,100.00			
Purchases Discount	1,802.80	2,902.80		
Net Purchases			126,074.20	
Goods Available for Sale			$153,324.20	
Less: Merchandise Inventory, Dec. 31			26,050.00	
Cost of Goods Sold				127,274.20
Gross Profit on Sales				$ 79,037.80
Operating Expenses				
Advertising			$ 2,140.00	
Donations			810.00	
Electric			673.00	
FICA Tax			1,930.46	
Interest			230.00	
Miscellaneous			495.10	
Postage			630.00	
Rent			5,400.00	
Salary			33,000.00	
Telephone			654.00	
Depreciation			850.00	
Insurance			740.00	
Store Supplies			450.00	
Total Operating Expenses				48,002.56
Net Income				$ 31,035.24

Figure B.8K
Answer Key
Income Statement for Year Ended December 31

COMBINED CASH JOURNAL

Page ___

CASH Debit	CASH Credit	Ck. No.	Date	ACCOUNT TITLE AND EXPLANATION	Post. Ref.	1 GENERAL LEDGER Debit	1 GENERAL LEDGER Credit	2 ACCOUNTS PAYABLE Debit	2 ACCOUNTS PAYABLE Credit	3 PURCHASES Debit	4 SALARY EXP. Debit	5 FED. INC. TAX Credit	6 ST. INC. TAX Credit	7 FICA TAX Credit	8 PURCH. DISC. Credit	9 SALES TAX Credit	10 SALES Credit
			Dec. 31	Adjusting Entries													
			31	Income and Expense Summary	303	27216000											
				Merchandise Inventory	111		27216000										
			31	Merchandise Inventory	111	26835000											
				Income and Expense Summary	303		26835000										
			31	Insurance Expense	516	75000											
				Prepaid Insurance	121		75000										
			31	Store Supplies Expense	522	95000											
				Store Supplies	131		95000										
			31	Depreciation Expense	523	85000											
				Accumulated Depreciation - Store Fixtures and Equipment	141		85000										
				Closing Entries													
			31	Sales	401	296312000											
				Purchases Returns & Allowances	506	1100000											
				Purchases Discount	503	180250											
				Income and Expense Summary	303		297412250										
			31	Income and Expense Summary	303	176777750											
				Purchases	501		128877700										
				Advertising Expense	511		214000										
				Donations Expense	513		21000										
				Electric Expense	514		67300										
				F.I.C.A. Tax Expense	515		178046										
				Interest Expense	517		23000										
				Miscellaneous Expense	518		42510										
				Postage Expense	519		63000										
				Rent Expense	520		540000										
				Salary Expense	521		33000000										
				Telephone Expense	523		66000										
				Depreciation Expense	523		85000										
				Insurance Expense	516		74000										
				Store Supplies Expense	522		95000										
			31	Income and Expense Summary	303	3103524											
				Jonathan Logan, Drawing	302		3103524										
			31	Jonathan Logan, Drawing	302	16633524											
				Jonathan Logan, Capital	301		16633524										

Figure 8.9K
Answer Key, Combined Cash Journal
Adjusting and Closing Entries

96

111

112

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POST-CLOSING TRIAL BALANCE

As of January 1, 19__

Account Title	Account No.	Debit	Credit
Cash	101	$ 16,729.21	
Petty Cash	102	50.00	
Change Fund	103	150.00	
Merchandise Inventory	111	26,050.00	
Prepaid Insurance	121	456.00	
Store Supplies	131	325.00	
Store Fixtures and Equipment	141	10,296.00	
Accumulated Depreciation— Store Fixtures and Equipment	141.1		$ 4,350.00
Accounts Payable	201		637.00
Federal Income Tax Payable	211		1,476.72
State Income Tax Payable	212		315.00
FICA Tax Payable	213		1,120.16
State Sales Tax Payable	214		812.52
County Sales Tax Payable	215		609.39
Jonathan Logan, Capital	301		44,735.42
Totals		$ 54,056.21	$ 54,056.21

Figure B.10K
Answer Key
Post-Closing Trial Balance as of January 1

CE 009 480

APPENDIX C
TIPS FOR TEACHERS OF ADULT CLASSES IN SMALL BUSINESS BOOKKEEPING

1. Sell yourself to your group—acquire their confidence.

2. Sell the group thoroughly on the benefits to be derived from the course. Be sure you know the objectives of the course and be certain these objectives are achieved.

3. Keep the atmosphere informal:
   a. Avoid the traditional classroom seating.
   b. If possible, seat the members of the group so each one can see the face of every other member.

4. Avoid the use of the words: *class, teacher, classroom, student,* etc. Use *you, he, she, I, we,* etc.
5. Show your interest in the course. Be enthusiastic about it!
6. Work problems out together with members of the group.

7. Use all the teaching aids you can beg, borrow, and contrive. Examples are:

Chalkboard	Overhead projector
Duplicated outlines	Opaque projector (show real forms)
Charts	Filmstrips
Photographs	Films

8. When you criticize—smile.
9. Avoid mentioning a specific product unless your whole group is from the organization manufacturing or promoting the sale of that product.
10. The discussion method is usually better than the lecture method. Always allow time for discussion.

11. Encourage participants to ask questions, perhaps relative to their own particular business or job.
12. Don't let any one participant take too much class time.
13. Use actual or realistic transactions to illustrate and tie down specific points.
14. Start on time. Stop on time.

15. If outside assignments are necessary, give them with complete explanations *early* in the session. Remember that most adults are too busy to do outside assignments.

16. Remember that you are dealing with a group that is voluntarily attending and cannot be classified as a "captive" audience. Your use of simple language and the way you put it across will determine whether you are reaching each person and whether he or she will return again. If you must use technical language, explain it.

17. In preparing for each lesson:
   a. Determine what is to be presented.
   b. Organize the material.
   c. Decide the best method (or methods) of presentation.
   d. Plan the use of suitable visual aids.
   e. Outline your plans

18. Prepare yourself:
   a. Rehearse your presentation.
   b. Time your presentation. It is a good idea to reserve half of the class time for discussion, questions, and problem work.
   c. Try to anticipate questions that may be asked.

19. Prepare the room:
   a. Check the materials, visual aids, machines, and supplies you plan to use.
   b. Check the operation of any required equipment.
   c. Check the room temperature, seating, and lighting.

20. Miscellaneous:
   a. Pace your teaching according to the learning of the group.
   b. Emphasize, repeat, and summarize important points.
   c. Introduce new topics and information.
   d. When talking, face the class—not the chalkboard.
   e. When writing on chalkboard, do not talk.
   f. Encourage the participants to ask questions.
   g. Have visual aids prepared before class time.